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ANNEX B-1

EUROPEAN COMMUNITIES' REQUEST FOR A PRELIMINARY RULING

(24 February 2004)

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Short Title	Full Case Title and Citation of Case
<i>Canada – Wheat</i>	Preliminary Ruling of the Panel, <i>Canada – Measures Relating to Exports of Wheat and Treatment of Imported Grain</i> , WT/DS276/12, circulated on 21 July 2003
<i>EC – Bananas III</i>	Appellate Body Report, <i>European Communities – Regime for the Importation, Sale and Distribution of Bananas</i> , WT/DS27/AB/R, adopted 25 September 1997
<i>Guatemala – Cement I</i>	Appellate Body Report, <i>Guatemala – Anti-Dumping Investigation Regarding Portland Cement from Mexico</i> , WT/DS60/AB/R, adopted 25 November 1998
<i>Korea – Dairy</i>	Appellate Body Report, <i>Korea – Definitive Safeguard Measure on Imports of Certain Dairy Products</i> , WT/DS98/AB/R, adopted 12 January 2000
<i>Thailand – H-Beams</i>	Appellate Body Report, <i>Thailand – Anti-Dumping Duties on Angles, Shapes and Sections of Iron or Non-Alloy Steel and HBeams from Poland</i> , WT/DS122/AB/R, adopted 5 April 2001
<i>US – Carbon Steel from Germany</i>	Panel Report, <i>United States – Countervailing Duties on Certain Corrosion-Resistant Carbon Steel Flat Products from Germany</i> , WT/DS213/R and Corr.1, adopted 19 December 2002 Appellate Body Report, <i>United States – Countervailing Duties on Certain Corrosion-Resistant Carbon Steel Flat Products from Germany</i> , WT/DS213/AB/R, adopted 28 November 2002
<i>US – FSC</i>	Appellate Body Report, <i>United States – Tax Treatment for "Foreign Sales Corporations"</i> , WT/DS108/AB/R, adopted 20 March 2000
<i>US – Lamb</i>	Panel Report, <i>United States – Safeguard Measures on Imports of Fresh, Chilled or Frozen Lamb Meat from New Zealand and Australia</i> , WT/DS177/R, WT/DS178/R, adopted 16 May 2001

I. INTRODUCTION

1. The European Communities (hereinafter "the EC") is of the view that the requests for the establishment of the Panel made by Australia (hereinafter: Australian request)¹ and by the United States (hereinafter: United States request)² do not meet the requirements of Article 6.2 of the Dispute Settlement Understanding (DSU).

2. The Panel requests fail to identify the specific measure at issue in the present dispute. Moreover, the Panel requests do not provide a brief summary of the legal basis of the complaint sufficient to present the problem clearly.

3. The respect of the requirements of Article 6.2 DSU is an essential precondition for the jurisdiction of a Panel. Where a complaining party has failed to clearly set out its claim in accordance with Article 6.2 DSU, the Panel does not have jurisdiction.

4. Moreover, the deficiencies of the Panel requests seriously prejudice the due process rights of the EC as a defending party. As a defending party, the EC is entitled to know the case it has to answer. The Panel requests in the present case do not meet the minimum requirements necessary for ensuring a fair and orderly conduct of the dispute settlement proceedings.

5. Given these fundamental concerns, the EC requests that the Panel issue a preliminary ruling regarding Article 6.2 DSU.

II. THE REQUIREMENTS OF ARTICLE 6.2 DSU

6. Article 6.2 DSU sets out the following minimum requirements with which any Panel request must comply:

The request for the establishment of a panel shall be made in writing. It shall indicate whether consultations were held, identify the specific measures at issue and provide a brief summary of the legal basis of the complaint sufficient to present the problem clearly.

A. THE CONTENT AND PURPOSE OF ARTICLE 6.2 DSU

7. In *Korea – Dairy*, the Appellate Body held that Article 6.2 of the DSU imposes four separate requirements:³

When parsed into its constituent parts, Article 6.2 may be seen to impose the following requirements. The request must: (i) be in writing; (ii) indicate whether consultations were held; (iii) identify the specific measures at issue; and (iv) provide a brief summary of the legal basis of the complaint sufficient to present the problem clearly. In its fourth requirement, Article 6.2 demands only a summary – and it may be a brief one – of the legal basis of the complaint; but the summary must, in any event, be one that is "sufficient to present the problem clearly". It is not enough, in other words, that "the legal basis of the complaint" is summarily identified; the identification must "present the problem clearly".

¹ Request of 18 August 2003, WT/DS290/18.

² Request of 18 August 2003, WT/DS174/20.

³ Appellate Body Report, *Korea – Dairy*, para. 120.

8. The objective and purpose of Article 6.2 of the DSU is to guarantee a minimum measure of procedural fairness throughout the proceedings. This is of particular importance to the defendant, who must rely on the Panel request in order to begin preparing its defense. Similarly, WTO Members who intend to participate as third parties must be informed of the subject-matter of the dispute. This underlying rationale of Article 6.2 DSU has been explained by the Appellate Body in *Thailand - H-Beams*.⁴

Article 6.2 of the DSU calls for sufficient clarity with respect to the legal basis of the complaint, that is, with respect to the "claims" that are being asserted by the complaining party. A defending party is entitled to know what case it has to answer, and what violations have been alleged so that it can begin preparing its defence. Likewise, those Members of the WTO who intend to participate as third parties in panel proceedings must be informed of the legal basis of the complaint. This requirement of due process is fundamental to ensuring a fair and orderly conduct of dispute settlement proceedings.

B. THE PANEL MUST NOT ASSUME JURISDICTION IN RESPECT OF CLAIMS THAT HAVE NOT BEEN ESTABLISHED IN ACCORDANCE WITH ARTICLE 6.2 DSU

9. Moreover, the respect of the requirements of Article 6.2 DSU is of crucial importance for properly establishing the jurisdiction of the Panel. As the Appellate Body has confirmed in *US – Carbon Steel*, the panel request forms the basis of the panel's terms of reference under Article 7.1 of the DSU.⁵

There are, therefore, two distinct requirements, namely identification of *the specific measures at issue*, and the provision of a *brief summary of the legal basis of the complaint* (or the *claims*). Together, they comprise the "matter referred to the DSB", which forms the basis for a panel's terms of reference under Article 7.1 of the DSU.

10. For this reason, a strict respect of the requirements of Article 6.2 DSU is essential for the orderly conduct of dispute settlement proceedings under the DSU. As the Appellate Body has clearly stated in *EC – Bananas*, Panels must therefore verify carefully that the conditions of Article 6.2 DSU are fulfilled.⁶

As a panel request is normally not subjected to detailed scrutiny by the DSB, it is incumbent upon a panel to examine the request for the establishment of the panel very carefully to ensure its compliance with both the letter and the spirit of Article 6.2 of the DSU. It is important that a panel request be sufficiently precise for two reasons: first, it often forms the basis for the terms of reference of the panel pursuant to Article 7 of the DSU; and, second, it informs the defending party and the third parties of the legal basis of the complaint.

11. Accordingly, the present Panel must verify carefully that the Panel request meet the requirements of Article 6.2 DSU. The Panel must not assume jurisdiction over any claim that has not been set out in accordance with Article 6.2 DSU.

⁴ Appellate Body Report, *Thailand – H Beams*, para. 88 (emphasis added). Similarly Appellate Body Report, *US – Carbon Steel*, para. 126.

⁵ Appellate Body Report, *US – Carbon Steel*, para. 125. Similarly, Appellate Body Report, *Guatemala – Cement*, para. 72.

⁶ Appellate Body Report, *EC – Bananas III*, para. 142 (emphasis added). Similarly also Appellate Body Report, *US – Carbon Steel*, para. 126.

C. THE REQUIREMENTS OF ARTICLE 6.2 DSU MUST BE EVALUATED ON THE FACE OF THE PANEL REQUEST

12. In *EC – Bananas*, the Appellate Body has clarified that the claims, which are set out in the panel request, must be distinguished from the subsequent arguments of the parties in support of their claim. Consequently, the Appellate Body has held that a faulty Panel request cannot be subsequently "cured" by the written submission of the parties:⁷

We do not agree with the Panel that "even if there was some uncertainty whether the panel request had met the requirements of Article 6.2, the first written submissions of the Complainants 'cured' that uncertainty because their submissions were sufficiently detailed to present all the factual and legal issues clearly". Article 6.2 of the DSU requires that the *claims*, but not the *arguments*, must all be specified sufficiently in the request for the establishment of a panel in order to allow the defending party and any third parties to know the legal basis of the complaint. If a *claim* is not specified in the request for the establishment of a panel, then a faulty request cannot be subsequently "cured" by a complaining party's argumentation in its first written submission to the panel or in any other submission or statement made later in the panel proceeding.

13. As a consequence, the only basis on which to establish whether a Panel request is in conformity with the requirements of Article 6.2 is the text of the request itself. This has been confirmed by the Appellate Body in *United States – Carbon Steel*:⁸

As we have said previously, compliance with the requirements of Article 6.2 must be demonstrated on the face of the request for the establishment of a panel. Defects in the request for the establishment of a panel cannot be "cured" in the subsequent submissions of the parties during the panel proceedings.

III. THE PANEL REQUESTS FAIL TO IDENTIFY THE "SPECIFIC MEASURE AT ISSUE"

14. Both Panel requests identify the measure at issue as Council Regulation (EEC) No. 2081/92 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs, as amended (hereinafter: Regulation 2081/92). Moreover, the Australian request, in its fourth paragraph, defines the "EC measure" as also including "related implementing and enforcement measures". In the view of the EC, these references are insufficient in order to define the "specific measure at issue", as required by Article 6.2 DSU.

A. THE REFERENCES TO REGULATION 2081/92 ARE NOT SUFFICIENTLY SPECIFIC

15. The EC considers that the references to Regulation 2081/92 are not sufficiently specific to permit an identification of the "specific measure at issue" in the present dispute.

16. The EC would like to stress that Article 6.2 DSU requires not only the identification of a "measure", but of the "specific measure at issue". The wording of Article 6.2 DSU is different from that of Article 4.4 DSU, which provides that consultation requests must identify "the measures at

⁷ Appellate Body Report, *EC – Bananas III*, para. 143.

⁸ Appellate Body Report, *United States – Carbon Steel*, para. 127 (emphasis added).

issue". As the Panel in *Canada – Wheat* has convincingly explained, this difference in wording is intentional, and must be given meaning:⁹

Having regard to the relevant context of Article 6.2 of the DSU, we note Article 4.4 of the DSU, which deals with the contents of requests for consultations. It states in relevant part that "any request for consultations shall give the reasons for the request, including identification of the measures at issue". Notably, Article 4.4 omits the term "specific" in referring to the "measures at issue". We believe that this difference in language is not inadvertent and must be given meaning. Indeed, in our view, this difference in language supports the view that requests for consultations need not be as specific and as detailed as requests for establishment of a panel under Article 6.2 of the DSU. As a corollary, in our view, this relevant context bears out the importance of the term "specific" as it appears in Article 6.2.

17. In the view of the EC, what can be considered a "specific measure" will depend on the circumstances of the particular case, and in particular on the characteristics of the measure in question. Where a measure is of a relatively simple character, or where it is clear from the circumstances of the case which aspect of the measure is contested, it may be sufficient to refer to the measure as a whole and identify it by name, number, or date of adoption.

18. However, such a reference to a "measure" as a whole may not always be sufficient to establish the "specific measure at issue". This is the case, in particular, where the measure in question is a complex legislative text. For instance, it would not seem conceivable to the EC that a WTO member would refer, in a request for the establishment of a Panel, simply to the Civil Code of another member, without specifying which specific provision is at issue in the dispute. Accordingly, in the case of complex legislative measures, it will not be sufficient to refer to the measure as a whole, but it will be necessary to identify the specific provisions or sections of the measure which are at issue.

19. In the present case, Regulation 2081/92 is a measure which establishes the legal framework for the protection of geographical indications and designations of origin for agricultural products and foodstuffs in the European Community. The text of Regulation 2081/92, as most recently amended by Council Regulation (EC) no. 806/2003 of 14 April 2003, is attached as Exhibit EC-1.

20. The EC does not propose to describe in detail the content of Regulation 2081/92 in the context of the present request for a preliminary ruling. However, the EC believes that even a cursory study of Regulation 2081/92 will confirm that this regulation is a complex piece of legislation in the field of the protection of intellectual property. As is typical for such legislation, Regulation 2081/92 deals with a host of issues relating to all aspects of the protection of geographical indications and designations of origin for agricultural products and foodstuffs.

21. The text of Regulation 2081/92 extends over 15 pages, including two annexes. The operational provisions of Regulation 2081/92 are contained in 22 Articles, each of which in turn is subdivided into numerous further paragraphs and sections. These articles deal with a host of widely differing issues. Purely for illustrative purposes, and without any claim to being exhaustive or particularly detailed, the following topics are dealt with in Regulation 2081/92:

- The objective and scope of application of the regulation (Article 1);
- definitions (Article 2);
- exclusion from registration of names, and in particular the issue of generic names (Article 3);

⁹ Preliminary Ruling by the Panel, *Canada – Wheat*, para. 15.

- product specifications (Article 4);
- the right to apply for registrations and the procedure for applications (Article 5);
- the procedures for registration of geographical indications and related issues; the issue of homonymous names (Article 6);
- objections to registrations (Article 7);
- conditions for the use of geographical indications and designations of origin (Article 8);
- the amendment of product specifications (Article 9);
- inspection procedures (Article 10);
- procedures in case product specifications are not respected (Article 11);
- cancellation of protected names (Article 11a);
- the application of the regulation to agricultural products and foodstuffs from third countries (Article 12);
- the application procedure for the protection of third country geographical indications (Article 12a);
- the registration procedure for the protection of third country geographical indications (Article 12b);
- the amendment of the product specifications for third country geographical indications (Article 12c);
- objections to the registration of geographical indications emanating from third countries (Article 12d);
- the protection of registered names (Article 13);
- certain questions regarding the relationship between geographical indications and trademarks (Article 14);
- the Committee assisting the Commission (Article 15);
- implementing rules (Article 16);
- entry into force (Article 18).

22. The unspecific reference to "Regulation 2081/92" made in the Panel requests does not permit the EC to understand which specific aspects among those covered by Regulation 2081/92 the complainants intend to raise in the context of the present proceedings. This appears particularly objectionable given the fact that it would have been easily possible for the complainants to provide more specific references to individual provisions of Regulation 2081/92.

23. For these reasons, the EC submits that the references to "Regulation 2081/92" do not meet the requirement of the identification of the "specific measure at issue" in Article 6.2 DSU.

B. THE REFERENCES TO "RELATED IMPLEMENTING AND ENFORCEMENT MEASURES" ARE NOT SUFFICIENTLY SPECIFIC

24. In the fourth paragraph of its Panel request, Australia has referred to "related implementing and enforcement measures" as part of the "EC measure".¹⁰ The EC is of the view that this blanket reference to "related implementing and enforcement measures" falls short of the requirement to identify the "specific measure at issue" in Article 6.2 DSU.

25. The requirement to identify the "specific measure at issue" means that if the measure is not already identified beyond reasonable doubt through elements such as name, number, or date of

¹⁰ In this context, the EC notes that whereas the United States amended request for consultations (WT/DS174/1/Add.1), in its second paragraph, included a reference to "related implementing and enforcement measures", such a reference no longer appears in the Panel request, which, in its third and fourth paragraph, refers exclusively to "Regulation 2081/92". Accordingly, the EC understands that the United States Panel request extends only to Regulation 2081/92.

adoption of the act, then the Panel request must at the very least contain the necessary information which enables the Panel, the defendant, and the third parties to establish with full certainty which is the specific measure at issue in the present dispute. This has been convincingly stated by the Panel in *Canada – Wheat*.¹¹

We consider that in the absence of an explicit identification of a measure of general application by name, as in the present case, sufficient information must be provided in the request for establishment of a panel itself that effectively identifies the precise measures at issue. Whether sufficient information is provided on the face of the panel request will depend, as noted above, on whether the information provided serves the purposes of Article 6.2, and in particular its due process objective, as well as the specific circumstances of each case, including the type of measure that is at issue.

26. As the Panel in *Canada – Wheat* also explained, due process does not allow the complainant to shift the burden of identifying the specific measures under challenge to the defendant.¹²

Due process requires that the complaining party fully assume the burden of identifying the specific measures under challenge. In the present case, the panel request effectively shifts part of that burden onto Canada as the responding party, inasmuch as it leaves Canada little choice, if it wants to begin preparing its defence, but to undertake legal research and exercise judgement in order to establish the precise identity of the laws and regulations implicated by the panel request.

27. The Australian request falls entirely short of these requirements. The Australian request contains no elements to identify the "measures" at issue, other than they are "related" and that they are supposed to be "enforcement or implementing measures".

28. The statement that the measures are "related" is so vague that it does not permit any meaningful narrowing-down of the measures in question. In fact, a whole range of legislative and other measures might be considered to be "related" in some way to the present dispute, including trademark and other intellectual property legislation, unfair competition laws, law on food labelling and food marketing, or consumer protection laws. Moreover, such laws may exist at the level of both the European Community and its Member States.

29. Similarly, the reference to "enforcement or implementing measures" does not provide the required precision with respect to the definition of the specific measure at issue. Since Regulation 2081/92 is a complex piece of intellectual property legislation, there is very large number of different measures that are necessary for its implementation and enforcement.

30. First of all, implementation may occur through legislative measures, for instance through the adoption of "detailed rules" on the basis of Article 16 of Regulation 2081/92. More importantly, implementation and enforcement may require measures of the executive, for instance concerning the transmission of applications or objections, the decision to register or to cancel geographical indications, or to amend specifications, etc. Finally, implementation and enforcement is also a responsibility of the judiciary, which is responsible for the judicial review of the actions of the Community and Member States authorities in the application of Regulation 2081/92.

31. Moreover, it should be noted that the implementation of Regulation 2081/92 is not only the responsibility of the Community, but also that of its Member States, who, for instance, are responsible for the transmission of applications and objections regarding the registration of geographical

¹¹ Preliminary Ruling by the Panel, *Canada – Wheat*, para. 20.

¹² Preliminary Ruling by the Panel, *Canada – Wheat*, para. 24.

indications to the Commission. Therefore, Member States also may have to adopt implementing rules, and take decisions which are subject to judicial review by national courts.

32. Finally, it should be noted that the measures which have been taken for implementing or enforcing Regulation 2081/92 are of a very high number. To take only one figure, the EC has by now registered 640 geographical indications or designations of origin. The EC would consider it inconceivable that each one of these registrations would be the subject of the present dispute settlement proceedings simply because of the blanket reference to "implementing and enforcement measures".

33. For these reasons, the EC submits that the reference to "related implementing and enforcement measures" in the Australian request fails to identify the "specific measure at issue".

IV. THE PANEL REQUESTS DO NOT CONTAIN A BRIEF SUMMARY OF THE LEGAL BASIS OF THE COMPLAINT

34. The Panel requests in the present case do not only fail to identify the specific measure at issue. They also fail to include a brief summary of the legal basis of the complaint.

A. THE BRIEF SUMMARY OF THE LEGAL BASIS OF THE COMPLAINT

35. Article 6.2 DSU requires that a request for the establishment of a Panel must contain a "brief summary of the legal basis of the complaint sufficient to present the problem clearly".

36. As the Appellate Body has stated in *EC – Bananas*, there is a distinction between the claims, which must be contained in the Panel request, and the arguments supporting these claims, which are set out in the subsequent submissions of the Parties.¹³ However, in *Korea – Dairy*, the Appellate Body has also clarified that the mere listing of provisions claimed to have been violated may not be sufficient for the purposes of Article 6.2 DSU.¹⁴

Identification of the treaty provisions claimed to have been violated by the respondent is always necessary both for purposes of defining the terms of reference of a panel and for informing the respondent and the third parties of the claims made by the complainant; such identification is a minimum prerequisite if the legal basis of the complaint is to be presented at all. But it may not always be enough. There may be situations where the simple listing of the articles of the agreement or agreements involved may, in the light of attendant circumstances, suffice to meet the standard of *clarity* in the statement of the legal basis of the complaint. However, there may also be situations in which the circumstances are such that the mere listing of treaty articles would not satisfy the standard of Article 6.2. This may be the case, for instance, where the articles listed establish not one single, distinct obligation, but rather multiple obligations. In such a situation, the listing of articles of an agreement, in and of itself, may fall short of the standard of Article 6.2.

37. In the concrete case, the Appellate Body was primarily concerned with the question of whether a reference to a provision in a WTO agreement may be sufficient when such provision contains multiple obligations. However, the findings of the Appellate Body are of a more general importance. First, the Appellate Body held that the precise identification of the WTO provisions alleged to have been violated is always required under Article 6.2 DSU. Second, the Appellate Body has also stated that the identification of treaty provisions may not be enough to state the problem

¹³ Appellate Body Report, *EC – Bananas III*, para. 141.

¹⁴ Appellate Body Report, *Korea – Dairy*, para. 124.

clearly. In other words, the identification of the treaty provisions alleged to have been violated is a necessary, but not a sufficient condition under Article 6.2 DSU.

38. It is this second element which is of particular interest in the present case. Article 6.2 DSU does not require complainants to "to list the treaty provisions alleged to have been violated". Rather, it obliges complainants to provide a "brief summary of the legal basis of the complaint sufficient to present the problem clearly". The reference to treaty provisions is only one element of the "legal basis of the complaint", which must also include other factual and legal elements necessary to present the problem clearly.

B. THE PANEL REQUESTS FAIL TO "PRESENT THE PROBLEM CLEARLY"

39. In the view of the EC, the Panel requests do not establish the problem clearly in accordance with Article 6.2 DSU. Even a cursory examination of the Panel requests will show that the "summary of the legal basis of the complaint" provided in them is in fact limited to vague listings of articles and some narrative text which, in general, is limited to restating the language of the treaty provision in question. As the EC will show, by adopting such a minimalist approach, both the United States and the Australian request fail to present the problem clearly in accordance with Article 6.2 DSU.

1. The United States request

40. The United States request is drafted in an extremely minimalist way. The "claims" of the United States seem to be contained in the third paragraph of the United States request. In this short paragraph, the United States appears to raise seven claims with respect to Regulation 2081/92. In particular, the United States claims that Regulation 2081/92:

- does not provide the same treatment to other nationals and products originating outside the EC that it provides to the EC's own nationals and products (**claim 1**);
- does not accord immediately and unconditionally to the nationals and products of each WTO Member any advantage, favour, privilege or immunity granted to the nationals and products of other WTO Members (**claim 2**);
- diminishes the legal protection for trademarks (including to prevent the use of an identical or similar sign that is likely to confuse and adequate protection against invalidation) (**claim 3**);
- does not provide legal means for interested parties to prevent the misleading use of a geographical indication (**claim 4**);
- does not define a geographical indication in a manner that is consistent with the definition provided in the TRIPS Agreement (**claim 5**);
- is not sufficiently transparent (**claim 6**);
- and does not provide adequate enforcement procedures (**claim 7**).

(a) The United States request does not indicate the legal bases of the claims

41. The United States request does not provide any indication of a legal basis for each of these claims. The only reference to substantive WTO provisions is contained in the fourth paragraph of the Panel request, which states that Regulation 2081/92 appears to be inconsistent with "TRIPS Agreement Articles 1.1, 2.1 (incorporating by reference Article 2 of the *Paris Convention for the Protection of Industrial Property* (Paris Convention (1967)), 3.1, 4, 16.1, 20, 22.1, 22.2, 24.5, 41.1, 41.2, 41.4, 42, 44.1, 63.1, 63.3, 65.1" as well as "Articles I and III:4 of the GATT 1994".

42. This long list of WTO provisions, however, is in no way correlated with the individual claims raised in the third paragraph of the United States request. On the other hand, it is not conceivable that

each of the claims of the United States would be based on all the provisions mentioned in the fourth paragraph of the United States request. The result is a total lack of clarity regarding the legal bases of the United States' claims. By not even identifying the provisions of the WTO agreements which it considers to underlie each of its claims, the US falls short of the minimum requirements for the brief summary as established by the Appellate Body in *Korea – Dairy*.¹⁵

(b) The United States claims are unclear

43. The absence of a sufficient summary of the legal bases of the United States claims can also be demonstrated for each of the claims set out in the third paragraph of the United States request.

44. As regards the **first claim**, the United States is alleging that Regulation 2081/92 "does not provide the same treatment to other nationals and products originating outside the EC that it provides to the EC's own nationals and products". This claim would appear to be a reference to the principle of national treatment, as contained in Article 3 TRIPS and Article III:4 GATT. However, the US claim is limited to a paraphrasing of the treaty language of these two provisions. The US claim does not permit to understand which provision or aspect of Regulation 2081/92 is supposed to violate the national treatment principle, and in which way such a violation is deemed to occur. This does not constitute a summary of the legal basis of the claim sufficient to present the problem clearly.

45. In its **second claim**, the United States claims that Regulation 2081/92 "does not accord immediately and unconditionally to the nationals and products of each WTO Member any advantage, favour, privilege or immunity granted to the nationals and products of other WTO Members". This claim seems to be a reference to the principle of most favoured nation treatment, as contained in Article 4 TRIPS and Article I:1 GATT. However, as the first claim, this claim is limited to the paraphrasing of the language of treaty provisions, without any indication of which provision of Regulation 2081/92 is supposed to constitute the violation, and how such a violation occurs. More specifically, the United States request does not indicate which are the "other WTO members" who are supposed to enjoy more favourable treatment, what constitutes this "more favourable treatment", and how it is conferred.

46. As regards the **third claim**, the United States alleges that Regulation 2081/92 "diminishes the legal protection for trademarks". Unfortunately, the United States does not provide any further explanation as to why it considers that Regulation 2081/92 diminishes the "legal protection of trademarks". In the view of the EC, this does not constitute a meaningful description of the claim. The claim is made no clearer by the cryptic parenthesis "including to prevent the use of an identical or similar sign that is likely to confuse and adequate protection against invalidation", which the United States has added to its claim. Moreover, this parenthesis would seem to indicate that there might be other aspects diminishing the legal protection for trademarks, without however indicating what these aspects are.

47. The absence of a brief summary of the third claim is further compounded by the absence of any specific references to the provisions of Regulation 2081/92. It is certainly correct that Regulation 2081/92 contains various provisions also concerning trademarks. For instance, Article 14.1 of the Regulation concerns the conditions under which the registration of a trademark conflicting with a geographical indication will be refused or invalidated. Article 14.2 deals with situations of coexistence between trademarks and geographical indications. Article 14.3 provides for situations where, in the light of a trademark's reputation, renown, and length of time of use, registration of a geographical indication shall be refused. Finally, the existence of trademarks is mentioned as a possible ground for objection in Article 7 (4) of Regulation 2081/92.

¹⁵ Appellate Body Report, *Korea – Dairy*, para. 124.

48. In other words, Regulation 2081/92 deals with conflicts between trademarks and geographical indications in a number of different constellations, and provides for specific solutions for each of these. The United States request, by merely referring to the "legal protection of trademarks", does not enable the EC to understand which specific problems the United States wishes to raise in this respect.

49. In its **fourth claim**, the United States alleges that Regulation 2081/92 "does not provide legal means for interested parties to prevent the misleading use of a geographical indication". This claim is not comprehensible to the EC. In its Article 13, Regulation 2081/92 contains detailed provisions regarding the protection of registered geographical indications. These provisions provide interested parties with the legal means to prevent the misleading use of a geographical indication. In the absence of further explanations, the EC fails to comprehend what is the claim that the United States is intending to establish.

50. In its **fifth claim**, the United States claims that Regulation 2081/92 does not define a geographical indication in a manner that is consistent with the definition provided in the TRIPS Agreement. First of all, the United States does not explain what are the differences in the definition of geographical indications between the TRIPS Agreement and Regulation 2081/92. Moreover, there is no conceivable legal basis for the US claim. It is certainly true that Article 22.1 TRIPS contains a definition of geographical indications. However, this definition is explicitly made "for the purposes of this Agreement", and in particular for the subsequent provisions setting out the substantive obligations with respect to the protection of geographic indications. In contrast, Article 22.1 does not contain any independent obligation to "define" a geographical indication in any particular way. It is therefore irrelevant under the TRIPS Agreement how the legislation of a WTO Member "defines" a geographical indication, provided that the Member affords geographical indications the necessary protection as required in the provisions of the TRIPS Agreement. In the view of the EC, the United States fails therefore to set out a claim in this respect.

51. In its **sixth claim**, the United States pretends that Regulation 2081/92 "is not sufficiently transparent". Once again, this claim is incomprehensible to the EC. Regulation 2081/92 is a legislative measure adopted by the Council of the European Union, and published in the Official Journal of the European Union. The EC notes that unlike Australia, the United States refers to the transparency of the Regulation, rather than that of its application. The EC does not understand, however, how a legislative measure such as Regulation 2081/92 can be said not to be "sufficiently transparent". In any case, the US request fails to state in which respect Regulation 2081/92 is supposed not to be "sufficiently transparent".

52. Finally, in its **seventh claim**, the United States claims that Regulation 2081/92 "does not provide adequate enforcement procedures". In the view of the EC, this claim is devoid of all clarity. The United States request neither indicates what, in its view, would be "adequate enforcement procedures", nor in which way Regulation 2081/92 falls short of providing such procedures. Moreover, the United States request does not identify what is the right to be enforced, and in particular whether it is talking about the enforcement of geographical indications or of trademarks.

53. Overall, the EC considers that the United States request fails both to identify the specific measure at issue, and to set out the claims of the United States. The compounded effect of these deficiencies is a Panel request of such vagueness and ambiguity that the EC is not capable to understand which is the case that the United States would like it to answer. For these reasons, the Panel must reject the US request as being incompatible with Article 6.2 DSU.

2. The Australian request

54. The Australian request is marked by deficiencies similar to those of the United States request.

55. The claims of Australia appear to be contained in the fifth paragraph of the Australian request. In this paragraph, Australia claims that Regulation 2081/92 (which, according to Australia, also includes its "related measures"):

- diminishes the legal protection for trademarks under the TRIPS Agreement, contrary to Articles 1, 2 (incorporating by reference Articles 6*quinques*(B), 10, 10*bis* and 10*ter* of the Paris Convention (1967)), 16, 20, 24.5, 41 and/or 42 of the TRIPS Agreement (**claim 1**);
- does not accord immediately and unconditionally to the nationals and/or products of each WTO Member any advantage, favour privilege or immunity granted to the nationals of any other WTO Member, contrary to Articles 1 and 4 of the TRIPS Agreement and/or Article I:1 of GATT 1994 (**claim 2**);
- does not accord to nationals and/or products of each WTO Member treatment no less favourable than that it accords to its own nationals and/or like products of national origin, contrary to Articles 1, 2 (incorporating by reference Article 2 of the Paris Convention (1967)) and 3.1 of the TRIPS Agreement and/or Article III:4 of GATT 1994 (**claim 3**);
- does not provide the legal means for interested parties to prevent misleading use of a geographical indication and/or to prevent any use of a geographical indication which constitutes an act of unfair competition within the meaning of Article 10*bis* of the Paris Convention (1967), contrary to Articles 1 and 22.2 of the TRIPS Agreement (**claim 4**);
- is not applied in a transparent manner, contrary to Articles 1, and 63.1 and 63.3 of the TRIPS Agreement (**claim 5**);
- is a technical regulation within the meaning of Annex 1 to the TBT Agreement, does not accord to products imported from the territory of any WTO Member treatment no less favourable than that accorded to like products of national origin and/or to like products originating in any other country, and/or has been prepared, adopted and/or applied with the effect of creating unnecessary obstacles to trade, being more trade-restrictive than necessary to fulfil a legitimate objective, taking account of the risks non-fulfilment would create, contrary to Articles 2.1 and 2.2 of the TBT Agreement (**claim 6**).

(a) The legal bases of the claims indicated in the Australian request are in some cases unclear

56. The structure of the Australian request differs from that of the United States in that Australia does indicate, for each of the claims it makes, the provision of the WTO agreements which it considers violated. However, even these listings lack, in some instances, the precision required by the Appellate Body in *Korea – Dairy*.¹⁶

57. In its first claim, Australia is referring to "Article 41 and/or 42 of the TRIPS Agreement. However, Article 41 TRIPS Agreement is a complex provision subdivided into a number of paragraphs, which contains a number of different obligations.¹⁷ The same also applies for Article 42 TRIPS Agreement, which, although set out in one paragraph, also comprises several sentences

¹⁶ Appellate Body Report, *Korea – Dairy*, para. 124. For the full quotation, see above para. 36.

¹⁷ It is useful to note that the United States request refers only to Articles 41.2 and 41.4 TRIPS.

establishing distinct obligations for WTO Members. Finally, the EC does not understand the "and/or" which seems to indicate that Articles 41 and 42 TRIPS are somehow alternative obligations.

58. Also in its first claim, Australia refers, in conjunction with Article 2 TRIPS Agreement, to Articles 10, 10*bis* and 10*ter* of the Paris Convention. Once again, these articles of the Paris Convention are complex provisions subdivided into various paragraphs, and imposing numerous distinct obligations.

59. Accordingly, the EC considers that the references to Articles 41 and 42 TRIPS Agreement, and to Articles 10, 10*bis* and 10*ter* of the Paris Convention do not meet the minimum requirements of specificity under Article 6.2 DSU.

(b) The Australian claims are unclear

60. However, even where the Australian request lists correctly the provisions of the WTO agreements, this indication of treaty provisions is not sufficient for the purposes of Article 6.2 DSU. This is due to the fact that the narrative description of the claims, as in the case of the United States request, is limited to the paraphrasing of the text of treaty provisions, or is so excessively vague that it does not permit to understand the substance of Australia's claims.

61. Since most of Australia's claims are similar to those of the United States, reference can be made to what has been said about the United States request. Australia's **claim 1** is almost identical to the United States claim 3,¹⁸ and similarly fails to meet the requirements of Article 6.2 DSU.¹⁹ Australia's **claim 2** is similar to US claim 2, and Australia's **claim 3** is similar to US claim 1. Like the US claims, Australia's claims 2 and 3 are limited to the restatement of language already contained in treaty provisions, and therefore encounter the same objections.²⁰ Australia's **claim 4** corresponds to the fourth claim of the United States, so that reference can be made to what has been said in this respect.²¹ Finally, **claim 5** corresponds to United States claim 6, with the sole difference that Australia refers to the transparency of the "application of Regulation 2081/92", rather than that of the Regulation itself. However, since Australia fails to explain in which way Regulation 2081/92 is not applied in a transparent way, its claim fails to meet the requirements of Article 6.2 DSU for the same reasons as the United States claim.²²

62. The only claim of Australia which finds no equivalent in the United States request is **claim 6**, by which Australia raises certain claims under the TBT Agreement, namely that Regulation 2081/92 "is a technical regulation within the meaning of Annex 1 to the TBT Agreement, does not accord to products imported from the territory of any WTO Member treatment no less favourable than that accorded to like products of national origin and/or to like products originating in any other country, and/or has been prepared, adopted and/or applied with the effect of creating unnecessary obstacles to trade, being more trade-restrictive than necessary to fulfil a legitimate objective, taking account of the risks non-fulfilment would create, contrary to Articles 2.1 and 2.2 of the TBT Agreement".

63. As to the first element of this claim, namely whether Regulation 2081/92 is a "technical regulation" within the meaning of Annex 1 to the TBT Agreement, the EC considers that this cannot constitute an admissible claim, since Point 1 of Annex 1 to the TBT Agreement, which defines the

¹⁸ The only difference is that the Australian request does not contain the cryptic parenthesis included in the United States request.

¹⁹ Supra para. 46 to 48.

²⁰ Supra para. 44 to 45.

²¹ Supra para. 49.

²² Supra para. 51.

term "technical regulation" for the purposes of the TBT Agreement, does not impose any obligations which could have been violated by the EC.²³

64. As regards the claims that Regulation 2081/92 does not accord to products imported from the territory of any WTO Member treatment no less favourable than that accorded to like products of national origin and/or to like products originating in any other country, and/or has been prepared, adopted and/or applied with the effect of creating unnecessary obstacles to trade, these claims merely seem to restate language which is contained in Article 2.1 and 2.2 of the TBT Agreement, without however providing any indication of how Regulation 2081/92, and which provision thereof, violates these obligations. For the same reasons as Australia's claims 2 and 3, claim 6 therefore fails to meet the requirements of Article 6.2 DSU.

65. In conclusion, both the United States and the US request fail to contain a brief summary of the legal basis of the claims, as required by Article 6.2 DSU. Both request do not "present the problem clearly". For the reasons set out above, the EC considers that both the Australian and the US Panel requests fail to meet the requirements of Article 6.2 DSU.

V. THE DEFICIENCIES OF THE PANEL REQUESTS RESULT IN SERIOUS PREJUDICE FOR THE EUROPEAN COMMUNITY AS A DEFENDANT

66. As has been stated above, the requirements of Article 6.2 DSU also serve to protect the due process rights of the defending party in dispute settlement proceedings under the DSU.²⁴ As a consequence, the Appellate Body has, when considering the requirements of Article 6.2 DSU, attached importance to the question of whether the defending party has suffered prejudice as a result of the deficiencies of a panel request.²⁵

67. In the present case, the EC considers it clear that it is prejudiced by the lack of clarity of the United States and Australian request. As a defending party, the EC has a right to know what the case is which it will have to defend. This information must be contained in the Panel request.

68. In the present case, the ambiguity of the Panel request is such that the EC is, to this date, not sure of the case which the United States and Australia are bringing before the Panel. As a consequence, the EC has been seriously hampered in its efforts to prepare its defence.

69. This situation is not acceptable from the point of view of the due process rights of the EC. Dispute settlement proceedings under the DSU are subject to very strict deadlines. As a consequence, the EC cannot be expected to wait for the first written submission of the complainants to start preparing its defence. Rather, the time between the submission of the panel request and the constitution of the Panel is used by both complaining and defending parties for the preparation of their case.

70. The strict respect of Article 6.2 DSU is also necessary to ensure a level playing field for the complaining and defending parties. Since the complainants have the initiative in dispute settlement, they can take all the time necessary to prepare their case before the introduction of the panel request. In contrast, the defendant can begin preparing its case only once he has received a notice of the case in accordance with Article 6.2 DSU.

²³ Cf. also the discussion of United States claim 5 (*supra* para. 50).

²⁴ *Supra* note 4.

²⁵ Appellate Body Report, *Korea – Dairy*, para. 131; Appellate Body Report, *Thailand – H Beams*, para. 95. The EC does consider it necessary, in the present case, to take a position as to whether the requirement of prejudice in Article 6.2 DSU constitutes an additional requirement to those set out in Article 6.2 DSU.

71. The EC notes that the United States has, as a defending party, frequently criticised Panel requests for not respecting the requirements of Article 6.2 DSU, and has requested preliminary rulings on this question.²⁶ In the present context, the EC considers it useful to quote from the United States' submissions before the Panel in *US – Lamb*:²⁷

The insufficiency of the Panel requests has seriously prejudiced the United States in the preparation of its defense. It prevented the United States from knowing the true nature of the claims being made against the U.S. measure and placed the United States in the position of merely guessing which of the many obligations in these several articles might be at issue in this review. This severely limited the ability of the United States to begin the task of preparing its defense. The dispute resolution process is intended to be a relatively speedy process. Central to such a speedy process is the requirement that claims be clearly stated at the required time. The failure of a complaining party to do so prejudices the responding party and undercuts the fairness of the entire process. It effectively stacks the deck against the responding party.

72. The EC does not consider that different standards should be applied in the present case. The EC would also like to recall that Article 3.10 DSU requires Members to engage in dispute settlement procedures in good faith. As the Appellate Body has underlined in *US – FSC*, this obligations applies also to the complainants:²⁸

This pervasive principle requires both complaining and responding Members to comply with the requirements of the DSU (and related requirements in other covered agreements) in good faith. By good faith compliance, complaining Members accord to the responding Members the full measure of protection and opportunity to defend, contemplated by the letter and spirit of the procedural rules.

73. The EC does not wish to speculate about what are the reasons for the deficient drafting of the Panel requests. In particular, the EC does not know whether this drafting reflects a conscious choice on the side of the complainants to leave the EC in the dark about their prospective case, or whether the complainants simply were unsure of the case that they were intending to bring. Whatever the explanation may be, the Panel requests in their current form would provide the complainants with a maximum flexibility in terms of their subsequent litigation strategy, and oblige the EC to defend itself against a moving target. This is not in accordance with the requirement of due process underlying Article 6.2 DSU.

74. By keeping their panel requests excessively vague, the United States and Australia have prevented the EC from preparing its defence in a timely manner. They have thereby caused serious prejudice to the EC.

VI. THE DEFICIENCIES OF THE PANEL REQUESTS HAVE BEEN RAISED BY THE EC IN A TIMELY MANNER, AND MUST BE ADDRESSED WITHOUT DELAY

75. In considering the requirements of Article 6.2 DSU, the Appellate Body has held that the respect of the conditions of this provision is of a fundamental nature, and may be examined at any stage in the proceedings.²⁹

²⁶ Panel Report, *US – Lamb*, para. 5.5; Panel Report, *US – Carbon Steel*, para. 4.1-4.2.

²⁷ Panel Report, *US – Lamb*, para. 5.5

²⁸ Appellate Body Report, *US – FSC*, para. 166.

²⁹ Appellate Body Report, *US – Carbon Steel*, para. 123.

76. At the same time, the Appellate Body has attached importance to the fact that the parties should bring procedural deficiencies to the attention of the Panel at the earliest possible opportunity.³⁰ This requirement was justified by the Appellate Body in *US – FSC* on the basis of the principle of good faith, which pervades dispute settlement proceedings under the DSU.³¹

Article 3.10 of the DSU commits Members of the WTO, if a dispute arises, to engage in dispute settlement procedures "in good faith in an effort to resolve the dispute". This is another specific manifestation of the principle of good faith which, we have pointed out, is at once a general principle of law and a principle of general international law. This pervasive principle requires both complaining and responding Members to comply with the requirements of the DSU (and related requirements in other covered agreements) in good faith. By good faith compliance, complaining Members accord to the responding Members the full measure of protection and opportunity to defend, contemplated by the letter and spirit of the procedural rules. The same principle of good faith requires that responding Members seasonably and promptly bring claimed procedural deficiencies to the attention of the complaining Member, and to the DSB or the Panel, so that corrections, if needed, can be made to resolve disputes. The procedural rules of WTO dispute settlement are designed to promote, not the development of litigation techniques, but simply the fair, prompt and effective resolution of trade disputes.

77. The present request for a preliminary ruling is in full accordance with these requirements established by the Appellate Body. The EC has raised the objection regarding the compatibility of the Panel requests with Article 6.2 DSU at the first possible occasion, namely at the meeting of the Dispute Settlement Body (DSB) on 29 August 2003, at which the requests were discussed for the first time.³² At this meeting, the EC explicitly called upon the United States and Australia to submit new panel requests compatible with Article 6.2 DSU. Since the complainants failed to do so, the EC repeated its concerns at the second meeting of the DSB on 2 October 2003, and reserved its rights to raise the issue during the Panel proceedings.³³

78. In the view of the EC, the deficiencies of the Panel requests are such that they will affect the entire subsequent proceedings. In particular, if the Panel requests are not amended, the scope of the present dispute will remain entirely unclear. This will have as an inevitable consequence that the submissions of the parties will have to deal not only with issues of substance, but also with the scope of the claims of the complainants. Moreover, it would be regrettable for the Parties to engage in pleadings on the substance of the dispute, only for the Panel requests to be found insufficient in the Panel report or by the Appellate Body. For these reasons, and in order to safeguard the proper conduct of the present dispute settlement proceedings, the EC considers it appropriate for the Panel to issue a preliminary ruling regarding Article 6.2 DSU.

79. This would also be in line with the ruling of the Appellate Body in *EC – Bananas*, in which the Appellate Body held that questions regarding the respect of Article 6.2 DSU should be decided early in panel proceedings, without causing prejudice or unfairness to any party or third party.³⁴

³⁰ Appellate Body Report, *Thailand – H Beams*, para. 95; Appellate Body Report, *US – Carbon Steel*, para. 123.

³¹ Appellate Body Report, *US – FSC*, para. 166.

³² Minutes of the Meeting of the Dispute Settlement Body of 29 August 2003, WT/DSB/M/155, para. 75 (Exhibit EC-2).

³³ Minutes of the Meeting of the Dispute Settlement Body of 2 October 2003, WT/DSB/M/156, para. 32 (Exhibit EC-3).

³⁴ Appellate Body Report, *EC – Bananas III*, para. 144.

80. The EC would like to clarify that it remains committed to a speedy resolution of the present dispute. For this reason, the EC would not consider it inappropriate for the Panel to suggest to the complaining parties to introduce a new Panel request in full compliance with Article 6.2 DSU. The EC would like to note that such a course of action has recently been taken by a Panel in another dispute.³⁵

VII. CONCLUSION

81. For the reasons set out above, the EC respectfully requests that the Panel find that the panel requests do not meet the requirements of Article 6.2 DSU.

82. Given the importance of the jurisdictional issues raised in the present request, the EC considers it appropriate that the Panel issue a preliminary ruling on this matter before the first written submissions of the Parties are due.

³⁵ Cf. Preliminary Ruling by the Panel, *Canada – Wheat*, para. 65. In this case, the United States indeed introduced a new Panel request (WT/DS276/9). The dispute then continued to be heard before the Panel originally established after the first Panel request.

ANNEX B-2

FIRST WRITTEN SUBMISSION OF THE EUROPEAN COMMUNITIES

(25 May 2004)

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Table of WTO and GATT cases referred to in this submission

Short Title	Full Case Title and Citation of Case
<i>Argentina – Textiles and Apparel</i>	Panel Report, <i>Argentina – Measures Affecting Imports of Footwear, Textiles, Apparel and Other Items</i> , WT/DS56/R, adopted 22 April 1998, as modified by the Appellate Body Report, WT/DS56/AB/R, DSR 1998:III, 1033
<i>Australia – Automotive Leather</i>	Panel Report, <i>Australia – Subsidies Provided to Producers and Exporters of Automotive Leather</i> , WT/DS126/R, adopted 16 June 1999, DSR 1999:III, 951
<i>Belgian Family Allowances</i>	GATT 1947 Panel Report, <i>Belgian Family Allowances</i> , adopted on 7 November 1952, 1S/59
<i>Canada – Autos</i>	Panel Report, <i>Canada – Certain Measures Affecting the Automotive Industry</i> , WT/DS139/R, WT/DS142/R, adopted 19 June 2000, as modified by the Appellate Body Report, WT/DS139/AB/R, WT/DS142/AB/R, DSR 2000:VII, 3043
<i>EEC – Beef from Canada</i>	GATT 1947 Panel Report, <i>European Economic Community – Imports of Beef from Canada</i> , adopted on 10 March 1981, 28S/92
<i>EC – Asbestos</i>	Appellate Body Report, <i>European Communities – Measures Affecting Asbestos and Asbestos-Containing Products</i> , WT/DS135/AB/R, adopted 5 April 2001
<i>EC – Sardines</i>	Appellate Body Report, <i>European Communities – Trade Description of Sardines</i> , WT/DS231/AB/R, adopted 23 October 2002
<i>India – Autos</i>	Panel Report, <i>India – Measures Affecting the Automotive Sector</i> , WT/DS146/R, WT/DS175/R and Corr.1, adopted 5 April 2002
<i>India – Patents (US)</i>	Appellate Body Report, <i>India – Patent Protection for Pharmaceutical and Agricultural Chemical Products</i> , WT/DS50/AB/R, adopted 16 January 1998, DSR 1998:I, 9
<i>Indonesia – Autos</i>	Panel Report, <i>Indonesia – Certain Measures Affecting the Automobile Industry</i> , WT/DS54/R, WT/DS55/R, WT/DS59/R, WT/DS64/R and Corr.1, 2, 3, and 4, adopted 23 July 1998, DSR 1998:VI, 2201
<i>Japan – Film</i>	Panel Report, <i>Japan – Measures Affecting Consumer Photographic Film and Paper</i> , WT/DS44/R, adopted 22 April 1998, DSR 1998:IV, 1179
<i>Korea – Dairy</i>	Appellate Body Report, <i>Korea – Definitive Safeguard Measure on Imports of Certain Dairy Products</i> , WT/DS98/AB/R, adopted 12 January 2000, DSR 2000:I, 3
<i>Korea – Various Measures on Beef</i>	Appellate Body Report, <i>Korea – Measures Affecting Imports of Fresh, Chilled and Frozen Beef</i> , WT/DS161/AB/R, WT/DS169/AB/R, adopted 10 January 2001
<i>Norway – Trondheim Bridge</i>	Panel report under the 1979 Agreement on Government Procurement, <i>Norway – Procurement of Toll Collection Equipment for the City of Trondheim</i> , GPR/DS.2/R, adopted 13 May 1992
<i>US – Tuna</i>	GATT 1947 Panel Report, <i>United States – Restrictions on Imports of Tuna</i> , DS21/R, 3 September 1991, 39S/155, not adopted
<i>US – Certain EC Products</i>	Appellate Body Report, <i>United States – Import Measures on Certain Products from the European Communities</i> , WT/DS165/AB/R, adopted 10 January 2001
<i>US – Gasoline</i>	Panel Report, <i>United States – Standards for Reformulated and Conventional Gasoline</i> , WT/DS2/R, adopted 20 May 1996, as modified by the Appellate Body Report, WT/DS2/AB/R, DSR 1996:I, 29
<i>US – Section 211 Appropriations Act</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 – Wool Shirts and Blouses</i>	Appellate Body Report, <i>United States – Measure Affecting Imports of Woven Wool Shirts and Blouses from India</i> , WT/DS33/AB/R and Corr.1, adopted 23 May 1997, DSR 1997:I, 323

GLOSSARY

Commission, EC Commission	Commission of the European Communities
Committee	Committee of representatives of the Member States referred to in Article 15 of Council Regulation 2081/92
Community Trademark Regulation	Council Regulation (EC) No 40/94, of 20 December 1993, on the Community Trademark, as amended on the date of establishment of the Panel
Council, EC Council	Council of the European Union
Court of Justice, European Court of Justice	Court of Justice of the European Communities
DSU	Understanding on Rules and Procedures Governing the Settlement of Disputes
EC	European Communities
GATT	General Agreement on Tariffs and Trade 1994
FWS	First Written Submission
GI	Geographical indication
Member States, EC Member States	Member States of the European Union
Official Journal	Official Journal of the European Union
Paris Convention	Stockholm Act of the Paris Convention for the protection of Industrial property, of 14 July 1967
Regulation 2081/92, Regulation	Council Regulation (EEC) No 2081/92 of 14 July 1992 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs, as amended on the date of establishment of the Panel
SCM Agreement, SCM	Agreement on Subsidies and Countervailing Duties
Trademarks Directive	First Council Directive 89/104, of 20 December, on the Community Trademark, as amended on the date of establishment of the Panel

TBT Agreement, TBT

Agreement on Technical Barriers to Trade

TRIPS Agreement, TRIPS

Agreement on Trade-Related Aspects of
Intellectual Property Rights

US

United States

WTO

World Trade Organization

WTO Agreement

Marrakesh Agreement Establishing the
World Trade Organization

I. INTRODUCTION

1. This submission provides the response of the European Communities to the first written submissions filed by Australia and the United States on 25 May 2004.
2. Section II raises a number of issues in connection with the terms of reference of the Panel.
3. Section III sets out the content of Regulation 2081/1992 to the extent relevant for the present dispute and corrects a number of errors and misrepresentations made by the complainants in their first written submissions.
4. Section IV addresses the various claims submitted by the complainants to the effect that certain requirements of Regulation 2081/92 are incompatible with the national treatment obligations under Article 3.1 of the TRIPS Agreement, Article 2.1 of the Paris Convention and Article III:4 of the GATT, as well as with the prohibition on requirements of domicile or establishment in Article 2.2 of the Paris Convention.
5. Section V addresses the United States' claims that some of those requirements are incompatible with the most-favoured-nation obligations under Article 4 of the TRIPS Agreement and Article I:1 of the GATT.
6. Section VI deals with the complainants' various claims to the effect that Regulation 2081/92 diminishes the legal protection of trademarks, thereby violating Articles 16.1, 20 and 24.5 of the TRIPS Agreement, as well as certain provisions of Part III of that Agreement, and Articles 10*bis* and 10*ter* of the Paris Convention.
7. Section VII responds to the claims that the EC does not comply with the obligation to provide protection to geographical indications under Article 22.2 of the TRIPS Agreement.
8. Finally, Section VIII deals with the claims raised by Australia that Regulation 2081/92 is incompatible with certain provisions of the TBT Agreement.
9. For ease of reference, the EC has grouped and numbered sequentially the claims submitted by the complainants. In each case, the EC has indicated which of the complainants has made the claim, and referred to the paragraphs of the first submission where the claim is made.

II. TERMS OF REFERENCE

10. The present Panel has been established by the DSB on 2 October 2003 with standard terms of reference in accordance with Article 7.1 of the DSU.¹ These terms of reference define the Panel's scope of jurisdiction. As the Appellate Body has explained in *India – Patents (US)*, a panel cannot consider claims which are not within its terms of reference:²

The jurisdiction of a panel is established by that panel's terms of reference, which are governed by Article 7 of the DSU. A panel may consider only those claims that it has the authority to consider under its terms of reference. A panel cannot assume jurisdiction that it does not have. In this case, Article 63 was not within the Panel's

¹ Cf. WT/DS174/21, WT/DS290/19, para. 2. As the EC has set out in its request for a preliminary ruling made on 24 February 2004, it considers that the panel requests of the United States and of Australia are not in compliance with the requirements of Article 6.2 DSU. The EC reserves the right to raise this issue in the context of an appeal.

² Appellate Body Report, *India – Patents (US)*, para. 92.

jurisdiction, as defined by its terms of reference. Therefore, the Panel had no authority to consider the alternative claim by the United States under Article 63.

11. In its first written submission, Australia is referring to versions of Regulation 2081/92 which were no longer in force at the time the Panel's terms of reference were established. Moreover, the complainants have referred to a number of measures that were not yet in existence at the time the Panel was established. In the view of the EC, only measures which were in force at the time that the Panel was established are within the terms of reference of the Panel.

12. Moreover, Australia and the United States raise a number of claims which are not identified in their requests for the establishment of the Panel. Such claims not identified in the panel requests are not within the jurisdiction of the Panel.

A. THE MEASURE AT ISSUE

1. Versions of Regulation 2081/92 no longer in force at the time the Panel was established

13. In its first written submission, Australia (but not the United States)³ has referred to several versions of Regulation 2081/92 no longer in force. It has numbered these versions #1 to #3, reflecting various subsequent amendments of Regulation 2081/92.⁴

14. Throughout its submission, Australia refers repeatedly to these different versions of Regulation 2081/92. In particular, Australia claims that no right of objection was available to persons not resident or established in the EC "until Article 12d (1) of Regulation No 2081/92#3 changed the situation".⁵ Similarly, Australia refers to the fact that "Article 17.1 of Regulation No 2081/92#1 and #2 provided for a simplified registration process for certain names which were already legally protected or established by usage in the Member States".⁶

15. These references to versions of Regulation No. 2081/92 which were no longer in force at the time the present Panel was established are not within the scope of the Panel's terms of reference. This already flows from Australia's request for the establishment of the Panel,⁷ which is the basis for the Panel's terms of reference. In its Panel request, Australia referred to "Council Regulation (EEC) No 2081/92 of 14 July 1992 [...] and any amendments thereto" as "the EC measure". Australia's request did not make it clear that Australia intended to challenge as the "EC measure" several versions of the same measure resulting from subsequent amendments over time.

16. Moreover, as the Panel in *India – Autos* recalled, a "WTO Panel is generally competent to consider measures in existence at the time of its establishment".⁸ Accordingly, in WTO practice, Panels have declined to examine measures which were no longer in force at the time the Panel was established. In *US – Gasoline*, the Panel explained the legal situation as follows:⁹

The Panel observed that it had not been the usual practice of a panel established under the General Agreement to rule on measures that, at the time the panel's terms of

³ The United States has referred to Regulation 2081/92 "as most recently amended" (US FWS, footnote 1).

⁴ Australia's FWS, para. 18.

⁵ Australia's FWS, para. 185 (emphasis added).

⁶ Australia's FWS, para. 190 (emphasis added).

⁷ WT/DS290/18.

⁸ Panel Report, *India – Autos*, para. 7.26.

⁹ Panel Report, *US – Gasoline*, para. 6.19; similarly, Panel Report, *Japan – Film*, para. 10.58; Panel Report, *Argentina – Textiles and Apparel*, para. 6.15.

reference were fixed, were not and would not become effective. In the 1978 *Animal Feed Protein* case, the Panel ruled on a discontinued measure, but one that had terminated after agreement on the panel's terms of reference. In the 1980 *Chile Apples* case, the panel ruled on a measure terminated before agreement on the panel's terms of reference; however, the terms of reference in that case specifically included the terminated measure and, it being a seasonal measure, there remained the prospect of its reintroduction. In the present case, the Panel's terms of reference were established after the 75 percent rule had ceased to have any effect, and the rule had not been specifically mentioned in the terms of reference. The Panel further noted that there was no indication by the parties that the 75 percent rule was a measure that, although currently not in force, was likely to be renewed. Finally, the Panel considered that its findings on treatment under the baseline establishment methods under Articles III:4 and XX (b), (d) and (g) would in any case have made unnecessary the examination of the 75 percent rule under Article I:1. The Panel did not therefore proceed to examine this aspect of the Gasoline Rule under Article I:1 of the General Agreement.

17. In the present case, there are no specific reasons which could justify an examination of versions of Regulation 2081/92 no longer in force. From its adoption in 1992 to the establishment of the Panel, Regulation 2081/92 has been amended six times.¹⁰ Australia has arbitrarily chosen certain points in time to reflect versions of Regulation 2081/92 going as far back as 1997 or 1993.

18. The same applies also with respect to Australia's reference to the version of Regulation 2081/92 as applicable before its amendment by Regulation 692/2003 of 8 April 2003.¹¹ In accordance with its Article 2.1, Regulation 692/2003 entered into force on 24 April 2003, i.e. before the present Panel was established. The EC has no intention to repeal Regulation 692/2003, or to remove the changes introduced by it. Therefore, Regulation 2081/92 as applicable prior to its amendment by Regulation 692/2003 is not within the scope of the Panel's terms of reference.

19. Moreover, as the Appellate Body has recalled in *US – Shirts and Blouses*, the purpose of Panel proceedings under the DSU is the settlement of concrete disputes between the parties:¹²

Given the explicit aim of dispute settlement that permeates the *DSU*, we do not consider that Article 3.2 of the *DSU* is meant to encourage either panels or the Appellate Body to "make law" by clarifying existing provisions of the *WTO Agreement* outside the context of resolving a particular dispute. A panel need only address those claims which must be addressed in order to resolve the matter in issue in the dispute.

20. An analysis of historical versions of Regulation 2081/92 is not useful for the purposes of settling the present dispute. Accordingly, the EC submits that the measure at issue in the present dispute is Regulation 2081/92 as in force at the time the Panel was established. A consolidated version of Regulation 2081/92 as in force on 2 October 2003 is provided by the EC as Exhibit EC-1.

2. Measures not yet adopted at the time the Panel was established

21. The complainants have referred to a number of measures which had not yet been adopted at the time the Panel was established.

¹⁰ See consolidated version of Regulation 2081/92, Exhibit EC-1, p. 1.

¹¹ Exhibit COMP-1i.

¹² Appellate Body Report, *US – Shirts and Blouses*, p. 22.

22. In Exhibits COMP-4b (viii) – (xvi), the complainants are referring to a number of amendments to Commission Regulation 2400/96 adopted between 11 November 2003 and 5 April 2004. These measures did not yet exist at the time the Panel was established, and are therefore outside its terms of reference.

23. Moreover, the complainants have prepared a "consolidated unofficial version" of Regulation 2081/92, which they provide as Exhibit COMP-1a. The complainants state that this consolidated unofficial version incorporates amendments made by the Act of Accession of Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia. Moreover, the complainants have also provided an extract from the Act of Accession as Exhibit COMP-3c.

24. In accordance with Article 2.3 of the Treaty of Accession, of which the Act of Accession is an integral part, the Treaty of Accession had to be ratified by all Member States of the European Union and by the acceding countries. At the time the Panel was established, the process of ratification was still ongoing. The Act of Accession entered into force only on 1 May 2004. Accordingly, the Act of Accession was not yet adopted at the time the Panel was established, and is therefore not within the scope of the Panel's terms of reference.

25. Accordingly, the EC submits that measures which had not yet been adopted at the time the Panel was established are not within the Panel's terms of reference.

B. CLAIMS

26. In its first written submission, Australia has raised claims under Article 4 of the Paris Convention, and Articles 43 to 49 of the TRIPS Agreement. None of these claims is referred to in Australia's request for the establishment of the Panel.¹³

27. Moreover, both Australia and the United States have made claims according to which the EC measure imposes a requirement of domicile or residence for the enjoyment of intellectual property rights contrary to Article 2.2 of the Paris Convention. No such claim was raised in the panel requests of the complainants.¹⁴

1. Australia's claim under Article 4 of the Paris Convention

28. In its first written submission, Australia alleges that Regulation 2081/92 is incompatible with Article 4 of the Paris Convention, incorporated by Article 2.1 TRIPS, which requires that a WTO member afford a right of priority of six months in respect of an application for registration of a trademark for which an application for registration had previously been filed in another WTO member.¹⁵

29. However, Australia's panel request does not refer to Article 4 of the Paris Convention. Australia can also not argue that its reference to Article 2.1 of the TRIPS Agreement, which requires Members to comply with Articles 1 through 12 and Article 19 of the Paris Convention, is sufficient to bring Article 4 of the Paris Convention within the scope of the Panel's terms of reference. The incorporated provisions of the Paris Convention contain numerous distinct obligations, which need to be referred to specifically in order to meet the requirements of Article 6.2 of the DSU.¹⁶ In fact, Australia's panel request specifies alongside the reference to Article 2.1 of the TRIPS Agreement a number of other provisions of the Paris Convention alleged to be violated. However, Article 4 of the

¹³ WT/DS290/18.

¹⁴ WT/DS290/18; WT/DS174/20.

¹⁵ Australia's FWS, para. 85.

¹⁶ Appellate Body Report, *Korea - Dairy*, para. 124.

Paris Convention is not among the provisions alleged to have been violated in Australia's panel request.

30. Therefore, the EC considers that Australia's claim regarding Article 4 of the Paris Convention is outside the terms of reference of the Panel.

2. Australia's claim under Articles 43 to 49 of the TRIPS

31. In its first written submission, Australia has claimed that the EC measure has failed "to provide the judicial authorities the authority required to be conferred on them by TRIPS Articles 43, 44, 45, 46, 48 and 49 in respect of the enforcement of trademark rights vis-à-vis the proposed registration of an EC-defined GI".¹⁷

32. However, Articles 43 to 49 TRIPS Agreement are not mentioned in Australia's panel request. In its panel request (fifth paragraph, first bullet point), Australia has alleged that the EC measure diminishes the legal protection of trademarks, and has referred in this respect to Articles 41 and 42 TRIPS. However, Articles 43 through 49 of the TRIPS Agreement contain distinct obligations which are separate from and additional to those contained in Articles 41 and 42.

33. Australia cannot argue that a reference to the specific provisions of Articles 43 to 49 TRIPS was made redundant by its reference to Article 41 TRIPS. Article 41 is an introductory provision contained in the first section, entitled "General Obligations", of Part III. It sets out general obligations and principles to be respected by the Parties in the application of Part III.

34. More specifically, Article 41.1 is a purely introductory provision which does not create separate legal obligations. The fact that Article 41.1 TRIPS refers to the "enforcement procedures as specified in this Part" cannot mean that a reference to Article 41.1 TRIPS would be sufficient to bring all the provisions of Part III within the terms of reference of the Panel. Otherwise, it could be argued that a simple reference to Article 1.1 TRIPS is sufficient to bring all provisions of the TRIPS Agreement within the scope of a panel's jurisdiction, or that a reference to Article XVI:4 WTO would bring all provisions of the covered agreements within the scope of a panel's jurisdiction. Such an interpretation would be manifestly incompatible with the requirements for panel requests contained in Article 6.2 DSU.

35. Accordingly, the EC considers that Australia's claim under Articles 43 to 49 of the TRIPS is outside the terms of reference of the Panel.

3. The claims regarding Article 2.2 of the Paris Convention

36. In its first written submission, the United States has argued that with respect to the registration of foreign geographical indications, Regulation 2081/92 imposes a requirement as to domicile or establishment contrary to Article 2.2 of the Paris Convention.¹⁸ The United States has made a claim based on Article 2.2 of the Paris Convention also with respect to the conditions under which foreign nationals can object to the registration of geographical indications.¹⁹

¹⁷ Australia's FWS, para. 148.

¹⁸ US FWS, para. 84.

¹⁹ US FWS, para. 89.

37. Australia has made a similar claim based on Article 2.2 of the Paris Convention with respect to the alleged unavailability of a right of objection to foreign right holders prior to the amendment of Regulation 2081/92 by Regulation 692/2003.²⁰

38. Article 2.1 and 2.2 of the Paris Convention are drafted as follows:

(1) 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 specially 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.

(2) However, no requirement as to domicile or establishment in the country where protection is claimed may be imposed upon nationals of countries of the Union for the enjoyment of any industrial property rights.

39. Article 2.1 of the Paris Convention is concerned with national treatment. In contrast, Article 2.2 prohibits the imposition of requirements as to domicile or establishment. This obligation is different and additional to the obligations resulting from the national treatment provision of Article 2.1 Paris Convention. This is also made clear by the term "however", which indicates that Article 2.2 goes beyond what is provided in Article 2.1.

40. This view also seems to be shared by the complainants. In its first written submission, the United States has argued that the EC measure "is directly prohibited by Article 2(2) of the Paris Convention".²¹ Similarly, Australia has referred to the EC's obligations pursuant to Article 2(2) of the Paris Convention.²²

41. However, in their panel requests, the complainants have merely referred to an alleged failure of the EC measure to provide national treatment. They have not raised any issue regarding the imposition of a requirement as to domicile or establishment contrary to Article 2.2 of the Paris Convention.

42. For this reason, the EC submits that the US and Australian claims under Article 2.2 of the Paris Convention are outside the terms of reference of the Panel.

III. FACTS

43. The measure at issue in the present dispute is Council Regulation 2081/1992 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs, as in force at the date of establishment of the Panel. A consolidated version of this Regulation is provided in Exhibit EC-1.

44. In this section, the EC will set out the content of Regulation 2081/1992 relevant for the present dispute. In this context, the EC will also correct a number of errors and misrepresentations

²⁰ Australia's FWS, para. 189, second bullet point; para. 194, second bullet point. As the EC has already set out above, these claims relate to a measure which is no longer in force, and are therefore in any case outside the terms of reference of the present panel.

²¹ US FWS, para. 85.

²² Australia's FWS, para. 189, 194.

that are contained in the first written submissions of the complainants with respect to the content of Regulation 2081/1992.

A. THE DEFINITION OF GEOGRAPHIC INDICATIONS

45. Regulation 2081/92 lays down rules on the protection, within the European Community, of designations of origin and geographical indications for agricultural products and foodstuffs. Article 2(2) of the Regulation defines the terms "designation of origin" and "geographical indication" as follows:²³

(a) *designation of origin*: means the name of a region, a specific place or, in exceptional cases, a country, used to describe an agricultural product or a foodstuff:

- originating in that region, specific place or country, and
- the quality or characteristics of which are essentially or exclusively due to a particular geographical environment with its inherent natural and human factors, and the production, processing and preparation of which take place in the defined geographical area;

(b) *geographical indication*: means the name of a region, a specific place or, in exceptional cases, a country, used to describe an agricultural product or a foodstuff:

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

46. The distinction between designations of origin and geographical indications depends on how closely the product is linked to the geographical area in which it originates. However, both designations of origin and geographical indications within the meaning of Regulation 2081/92 are geographical indications as defined in Article 22.1 TRIPS Agreement.

47. Under Regulation 2081/92, designations of origin and geographical indications are subject to identical rules as regards their registration and protection. For this reason, wherever the EC, in the present submission, refers to geographical indications within the meaning of Regulation 2081/92, this reference shall also include designations of origin.

B. PRODUCT SPECIFICATIONS

48. In accordance with Article 4 (1) of Regulation 2081/92, in order to be eligible to use a geographical indication, an agricultural product must comply with a product specification. The purpose of this requirement is to ensure that the agricultural product marketed using a particular geographical indication in fact originates in the area to which the indication is related, and possesses the specific quality, reputation or other characteristics which justify the protection of the geographical indication.

49. Regulation 2081/92 does not itself define the product specifications with which a particular product must comply. Rather, in accordance with Article 5 (3) of Regulation 2081/92, the product

²³ Further specific aspects of these definitions are set out in paragraphs 3 to 7 of Article 2.

specifications must be contained in the application for registration of a geographical indication. Article 4 (2) of the Regulation defines the elements with which a product specification must comply:

The product specification shall include at least:

- (a) the name of the agricultural product or foodstuffs, including the designation of origin or the geographical indication;
- (b) a description of the agricultural product or foodstuff including the raw materials, if appropriate, and principal physical, chemical, microbiological and/or organoleptic characteristics of the product or the foodstuff;
- (c) the definition of the geographical area and, if appropriate, details indicating compliance with the requirements in Article 2 (4);
- (d) evidence that the agricultural product or the foodstuff originates in the geographical area, within the meaning of Article 2(2) (a) or (b), whichever is applicable;
- (e) a description of the method of obtaining the agricultural product or foodstuff and, if appropriate, the authentic and unvarying local methods as well as information concerning the packaging, if the group making the request determines and justifies that the packaging must take place in the limited geographical area to safeguard quality, ensure traceability or ensure control;
- (f) the details bearing out the link with the geographical environment or the geographical origin within the meaning of Article 2(2)(a) or (b), whichever is applicable;
- (g) details of the inspection structures provided for in Article 10;
- (h) the specific labelling details relating to the indication PDO or PGI, whichever is applicable, or the equivalent traditional national indications;
- (i) any requirements laid down by Community and/or national provisions.

C. INSPECTION STRUCTURES

50. As has been explained, each protected geographical indication has to comply with a product specification. However, a geographical indication is less reliable and informative for consumers if its proper use is not ensured by an effective inspection regime. For this reason, Article 10(1) of Regulation 2081/92 provides that EC Member States shall ensure that inspection structures are in place, the function of which shall be to ensure that agricultural products and foodstuffs bearing a protected name meet the requirements laid down in the specifications.

51. Article 10 does not regulate all details of such inspection structures. In particular, Article 10(2) provides that an inspection structure "may comprise one or more designated inspection authorities and/or private bodies". It thereby leaves the Member State a choice between public and private elements in the design of the inspection bodies.

52. Article 10(3) further provides that designated inspection authorities and/or approved private bodies "must offer adequate guarantees of objectivity and impartiality with regard to all producers or processors subject to their control and have permanently at their disposal the qualified staff and

resources necessary to carry out inspection of agricultural products and foodstuffs bearing a protected name".

53. Further, the third subparagraph of Article 10(3) provides that in order to be approved by the Member States, private bodies must fulfil the requirements laid down in standard EN 45011 of 26 June 1989, which sets out general requirements for bodies operating product certification systems. A copy of this standard, which is available from CEN/CENELEC, is provided as Exhibit EC-2.

54. It should be noted that compliance with standard EN 45011 is only required for bodies to be approved by the EC Member States. In accordance with the last subparagraph of Article 10(3), for bodies located outside the Community, compliance with equivalent international standards will be sufficient. An example for an equivalent international standard is ISO/IEC Guide 65:1996 (E), a copy of which is provided as Exhibit EC-3.

55. In accordance with Article 4(2)(g) of Regulation 2081/92, details of the inspection structure applicable must be included in the product specification, which is part of any application for registration of a geographical indication.

D. THE REGISTRATION OF GEOGRAPHICAL INDICATIONS RELATING TO AN AREA LOCATED IN THE EC

56. Articles 5 and 6 of Regulation 2081/92 set out the procedure for the registration of geographical indications which relate to a geographical area located in the European Community.

57. In accordance with Article 5(4) of Regulation 2081/92, the application shall be sent to the EC Member State in which the geographical area is located. In accordance with Article 5(5), the Member State shall check that the application is justified and, if it considers that the application fulfils the requirements of the Regulation, shall forward the application, including the product specification and all other relevant documents to the EC Commission.

58. This involvement of the Member State in the registration process is crucial for the proper implementation of the Regulation. In fact, Member States are particularly well placed to examine the admissibility of applications relating to geographical areas located on their territory.

59. Within six months of the receipt of the application, the EC Commission shall verify, by means of a formal investigation, whether the registration application includes all the particulars provided for in Article 4 of the Regulation. If, after this examination, the Commission concludes that the name qualifies for protection, it shall publish a notice in the Official Journal of the European Union containing among others the name of the applicant, the name of the product, and the main points of the application (Article 6(2) of the Regulation).

60. If no statement of objection is notified to the Commission in accordance with Article 7 of the Regulation, the name shall be entered in the register of protected names kept by the Commission (Article 6(3) of the Regulation). The name entered in the register shall be published in the Official Journal (Article 6.4 of the Regulation).

61. If, in the light of the investigation provided for in Article 6(1) of the Regulation, the Commission concludes that the name does not qualify for protection, it shall decide, in accordance with the procedure provided for in Article 15 of the Regulation, not to proceed with the registration of the name.

E. THE REGISTRATION OF GEOGRAPHICAL INDICATIONS RELATING TO AN AREA LOCATED OUTSIDE THE EC

62. Regulation 2081/92 also applies to geographical indications relating to areas located outside the EC. For this purpose, the Regulation lays down rules relating to the registration of such geographical indications from outside the EC which closely parallel the provisions applicable to geographical indications from inside the EC.

63. The purpose of these specific rules, some of which were introduced by Regulation 692/2003, is to facilitate the registration of non-EC geographical indications while at the same time ensuring that geographical indications from outside the EC correspond to the definition of a geographical indication.

64. The United States and Australia have claimed that Regulation 2081/92 allows the registration of geographical indications from other WTO members only under the condition of "reciprocity and equivalence".²⁴ In support of this contention, they have relied on Article 12(1) of the Regulation, which provides as follows:

Without prejudice to international agreements, this Regulation may apply to an agricultural product or foodstuff from a third country provided that:

- the third country is able to give guarantees identical or equivalent to those referred to in Article 4,
- the third country concerned has inspection arrangements and a right to objection equivalent to those laid down in this Regulation,
- the third country concerned is prepared to provide protection equivalent to that available in the Community to corresponding agricultural products for foodstuffs coming from the Community.

65. However, this interpretation is based on a misunderstanding of the Regulation. Article 12(1) of Regulation 2081/92 clearly provides that it applies "without prejudice to international agreements". Such international agreements include the WTO Agreements. This is made clear by the 8th recital of Regulation 692/2003,²⁵ which amended the procedures for the registration of non-EC geographical indications, and in this context took specific account of the provisions of the TRIPS.

66. WTO Members are obliged to provide protection to geographical indications in accordance with Section 3 of Part II and the general provisions and basic principles of the TRIPS Agreement. For this reason, Article 12(1) and (3) of Regulation 2081/92 do not apply to WTO Members. This distinction between WTO countries and other third countries is also found in other provisions of the Regulation, for instance in Article 12(2)(a) and (b) and in Article 12d(1), both concerning objections from outside the EC.

67. Accordingly, the registration of a geographical indication relating to an area located in the territory of another WTO Member does not require that the Commission examines whether the conditions set out in Article 12(1) of the Regulation are fulfilled. Rather, the procedure for the registration of third country geographical indications can be immediately applied. The applicant shall therefore send the registration application to the authorities in the country in which the geographical area is located (Article 12a(1) of the Regulation). Like applications for registration of EC

²⁴ US FWS, para. 22; Australia's FWS, para. 170.

²⁵ Exhibit COMP-1h.

geographical indications, applications must be accompanied by the specification referred to in Article 4.

68. According to Article 12a(2), if the third country deems that the requirements of the Regulation are satisfied, it shall transmit the registration application to the Commission accompanied by the following:

- (a) a description of the legal provisions and the usage on the basis of which the designation of origin or the geographical indication is protected or established in the country,
- (b) a declaration that the structures provided for in Article 10 are established on its territory, and
- (c) other documents on which it has based its assessment.

69. Article 12b regulates the further procedure for the registration of the geographical indication in a way which corresponds closely to the procedure set out in Article 6 for the registration of geographical indications from inside the EC.²⁶

F. OBJECTIONS FROM PERSONS RESIDENT OR ESTABLISHED IN THE EC

70. Within six months of the date of publication of the application in the Official Journal, the Member State may object to the registration. Article 7(2) of the Regulation provides that Member States shall ensure that all persons who can demonstrate a legitimate economic interest are authorised to consult the application. Pursuant to Article 7(3) of the Regulation, any legitimately concerned natural or legal person may object to a proposed registration by sending a duly substantiated statement to the competent authority of the Member State in which he resides or is established, who shall transmit the objection to the Commission.

71. According to Article 7 (4) of the Regulation, a statement of objection shall be admissible only if it:

either shows non-compliance with the conditions referred to in Article 2,

- shows that the registration of the name proposed 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 preceding the date of the publication provided for in Article 6(2).
- or indicates the features which demonstrate that the name whose registration is applied for is generic in nature.

72. Where a statement of objection is admissible, the Commission shall proceed in accordance with Article 7(5):

Where an objection is admissible within the meaning of paragraph 4, the Commission shall ask the Member States concerned to seek agreement among themselves in accordance with their internal procedures within three months. If:

²⁶ See above paragraph 59 et seq.

(a) agreement is reached, the Member States in question shall communicate to the Commission all the factors which made agreement possible together with the applicant's opinion and that of the objector. Where there has been no change to the information received under Article 5, the Commission shall proceed in accordance with Article 6(4). If there has been a change, it shall again initiate the procedure laid down in Article 7;

(b) no agreement is reached, the Commission shall take a decision in accordance with the procedure laid down in Article 15, having regard to traditional fair practice and of the actual likelihood of confusion. Should it decide to proceed with registration, the Commission shall carry out publication in accordance with Article 6(4).

G. OBJECTIONS FROM PERSONS RESIDENT OR ESTABLISHED OUTSIDE THE EC

73. Article 12d(1) of Regulation 2081/92 provides a right of objection to persons not resident or established in the EC. Article 12d(1) is drafted as follows:

Within six months of the date of the notice in the *Official Journal of the European Union* specified in Article 6(2) relating to a registration application submitted by a Member State, any natural or legal person that has a legitimate interest and is from a WTO member country or a third country recognised under the procedure provided for in Article 12(3) may object to the proposed registration by sending a duly substantiated statement to the country in which it resides or is established, which shall transmit it, made out or translated into a Community language, to the Commission. Member States shall ensure that any person from a WTO member country or a third country recognised under the procedure provided for in Article 12(3) who can demonstrate a legitimate economic interest is authorised to consult the application.

74. Australia and the US have claimed that this right of objection is subject to the condition that the individual concerned is from a country which is recognised as fulfilling the conditions of Article 12(1) of the Regulation.²⁷ This is wrong. Article 12d(1) of the Regulation refers to any person that "is from a WTO Member or a third country recognised under the procedure provided for in Article 12(3)". The phrase "recognised under the procedure provided for in Article 12(3)" only refers to third countries other than WTO Members. Otherwise, the specific reference to WTO Members would be meaningless. WTO Members are therefore not subject to the procedure of Article 12(3) applicable to other third countries.

75. This is also clear in Article 12b(2) of the Regulation, which concerns objections against applications for registration of geographical indications relating to an area outside the EC. As regards WTO Members, Article 12b(2)(a) simply provides that Article 12d shall apply; whereas Article 12b(2)(b) requires for persons resident or established in third countries that the requirements of Article 12(3) must be met.

76. In accordance with Article 12d(2), the conditions for the admissibility of objections from outside the EC are those laid down in Article 7(4) for objections from inside the EC. The admissibility conditions and the further procedure with respect to objections from outside the EC do not differ from those applicable to objections from inside the EC.

77. The United States has nonetheless seen a difference in the fact that whereas under Article 7(3) of the Regulation, only persons who are "legitimately concerned" may object to an application, under

²⁷ US FWS, para. 27, 92; Australia's FWS, para. 204.

Article 12d, persons from outside the EC must have a "legitimate interest".²⁸ According to the US, "it would appear" that the requirement to be "legitimately concerned" is a lower standard than that one has a "legitimate interest".²⁹

78. This assumption of the United States is wrong. There is no substantive difference between the two expressions "legitimately concerned" and "legitimately interested". The New Shorter Oxford English Dictionary defines "concerned" as: "interested, involved, troubled, anxious, showing concern".³⁰ In other words, "interested" and "concerned" are synonyms. The terminological difference raised by the United States is therefore without any substantive relevance, and does not imply a different standard applicable to persons resident or established outside the EC.

H. DECISION-MAKING PROCEDURES UNDER THE REGULATION

79. In its first written submission, Australia has consistently misrepresented the decision-making process applicable under Regulation 2081/92. In particular, it has referred to the "Committee of EC Member States representatives" as the "decision-making process established by Article 15 of Regulation 2081/92".³¹ Consequently, it has repeatedly referred to decisions taken according to the procedure set out in Article 15 of the Regulation as decisions taken "in the Committee of EC Member States representatives".³² Finally, Australia has referred to the Committee of EC Member States as the "ultimate decision-maker" under the Regulation.³³

80. These statements are based on a misconception of the decision-making process under the Regulation, and have the effect of exaggerating the role of the Committee. Under the Regulation, decisions with respect to the registration of geographical indications are in principle taken by the Commission. In certain cases, for instance where a statement of objection has been received or the Commission considers that a name does not qualify for protection, the Commission must act in accordance with the procedure in Article 15 of the Regulation.³⁴ Article 15 provides the following:

1. The Commission shall be assisted by a committee.
2. Where reference is made to this Article, Articles 5 and 7 of Decision 1999/468/EC shall apply.

The period laid down in Article 5(6) of Decision 1999/468/EC shall be set at three months.

3. The Committee shall adopt its Rules of Procedure.

81. Decision 1999/468³⁵ is a decision which lays down, on a general level, the procedures for the exercise of implementing powers which the Council may delegate to the Commission in application of Article 202 of the EC Treaty. The procedure which is applicable under Regulation 2081/92 is the regulatory procedure set out in Article 5 of Decision 1999/468.

82. According to Article 5(1) of Decision 1999/468, the Commission is assisted by a Committee composed of representatives of the Member States. In accordance with Article 5(2) of the Decision,

²⁸ US FWS, para. 26-27.

²⁹ US FWS, para. 94.

³⁰ New Shorter Oxford English Dictionary, 1993, Vol. 1, p. 467 (emphasis added).

³¹ Australia's FWS, para. 19.

³² E.g. Australia's FWS, para. 32, 44, 46,

³³ Australia's FWS, para. 94.

³⁴ Cf. Article 6(5), 7(5), 12b(1)(b), 12d(3) of the Regulation.

³⁵ Exhibit EC-4.

the Commission shall submit to the Committee a draft of the measures to be taken. If the measure is in accordance with the opinion of the Committee, the Commission adopts the Measures (Article 5(3) of the Decision). Only exceptionally, if the measure is not in accordance with the opinion of the Committee, may the matter be referred to the Council of Ministers (Article 5(4) of the Decision). In this case, the following procedure applies (Article 5(5) of the Decision):

The Council may, where appropriate in view of any such position, act by qualified majority on the proposal, within a period to be laid down in each basic instrument but which shall in no case exceed three months from the date of referral to the Council.

If within that period the Council has indicated by qualified majority that it opposes the proposal, the Commission shall re-examine it. It may submit an amended proposal to the Council, re-submit its proposal or present a legislative proposal on the basis of the Treaty.

If on the expiry of that period the Council has neither adopted the proposed implementing act nor indicated its opposition to the proposal for implementing measures, the proposed implementing act shall be adopted by the Commission.

83. Consequently, the decision-maker under the Regulation is the Commission, or exceptionally the Council of Ministers. The Committee assists the Commission, but does not take decisions; it may, however, achieve that a proposal is referred to the Council of Ministers.

I. THE PROTECTION OF GEOGRAPHICAL INDICATIONS

84. According to Article 13(1) of the Regulation, a name registered under the regulation shall be protected against:

Registered names shall be protected against:

- (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 that 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 its origin;
- (d) any other practice liable to mislead the public as to the true origin of the product.

J. INDICATION OF THE COUNTRY OF ORIGIN FOR HOMONYMOUS GEOGRAPHICAL INDICATIONS

85. In their first written submission, the United States has claimed that 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", and that there is no similar requirement with respect to products of EC Member States.³⁶

86. This interpretation is based on a misunderstanding of Article 12(2) of the Regulation. This provision is drafted as follows:

If a protected name of a third country is identical to a Community protected name, registration shall be granted with due regard for local and traditional usage and the practical risks of confusion.

Use of such names shall be authorized only if the country of origin of the product is clearly and visibly indicated on the label.

87. It follows clearly from the structure of this provision that the reference to "such names" in the second subparagraph of Article 12(2) is a reference to the names mentioned in the first subparagraph, i.e. identical protected names from a third country and the Community. In other words, the second subparagraph does not concern third country names in general, but only homonyms.

88. Moreover, it should be noted that the reference to "such names" applies both to third country protected names and to Community protected names. In the case of identical names, the requirement to indicate the country of origin can apply both to the third country name and the Community name. In practice, this would mean that whichever indication is registered later would normally be required to indicate the country of origin. Where a Community indication is registered after an identical third country indication, the Community indication would therefore be required to indicate the country of origin.

89. Finally, it should be noted that in case of homonymous names from the EC, the last indent of Article 6(6) of the Regulation also requires "a clear distinction in practice" between the two homonyms. Where the two homonyms are from different Member States, this may in practice require the indication of the country of origin.

K. GEOGRAPHICAL INDICATIONS AND TRADEMARKS

90. The relationship between geographical indications and trademarks is regulated in Article 14 of the Regulation, which is drafted as follows:

1. Where a designation of origin or geographical indication is registered under this Regulation, any application for registration of a trademark that is for a product of the same type and use of which will engender one of the situations indicated in Article 13 shall be refused if made after the date of submission to the Commission of the application for registration of the designation of origin or geographical indication.

Trademarks registered in breach of the first subparagraph shall be invalidated.

2. With due regard to Community law, a trademark the use of which engenders one of the situations indicated in Article 13 and which has been applied for, registered, or established by use, if that possibility is provided for by the legislation concerned, in good faith within the territory of the Community, before either the date of protection in the country of origin or the date of submission to the Commission of the application for registration of the designation of origin or geographical indication,

³⁶ US FWS, para. 25. Australia rightly assumed that this provision only applies to homonyms (Australia's FWS, para. 235).

may continue to be used notwithstanding the registration of a designation of origin or geographical indication, provided that no grounds for its invalidity or revocation exist as specified by Council Directive 89/104/EEC of 21 December 1998 to approximate the laws of the Member States relating to trade marks and/or Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark.

3. A designation of origin or geographical indication 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.

L. SIMPLIFIED REGISTRATION OF GEOGRAPHICAL INDICATIONS PRIOR TO THE ENTRY INTO FORCE OF REGULATION 692/2003

91. In its first written submission, Australia has also made certain claims regarding the simplified registration procedure according to Article 17 of Regulation 2081/92 as applicable until the entry into force of Regulation 692/2003.

92. As the Commission has already set out, these claims relate to a measure no longer in force at the time the Panel was established, and are therefore outside the terms of reference of the present Panel.³⁷ However, since certain of the factual claims made by Australia in this respect are factually wrong, the EC would like to take the opportunity to correct them.

93. In its first written submission, Australia claims that under the simplified procedure, a right of objection was available to persons resident or established in the EC, which was not available to persons from outside the EC.³⁸ In support of its thesis, it relies in particular on a declaration of the Commission and the Council quoted in the *Feta* judgment of the European Court of Justice.³⁹

94. Australia's interpretation is unfounded. Article 17, as applicable until the entry into force of Regulation 692/2003, provided as follows (emphasis added):

Within six months of the entry into force of the Regulation, Member States shall inform the Commission which of their legally protected names or, in those Member States where there is no protection system, which of their names established by usage they wish to register pursuant to this Regulation.

In accordance with the procedure laid down in Article 15, the Commission shall register the names referred to in paragraph 1 which comply with Articles 2 and 4. Article 7 shall not apply. However, generic names shall not be added.

95. Article 17(2) thus provided clearly that Article 7, which laid down the right of objection, did not apply in the simplified procedure. This was explicitly confirmed by the European Court of Justice in the *Feta* judgment:⁴⁰

Second, as the Commission itself pointed out in its defence in Case C-293/96, it must be noted that, even though Article 17(2) of the basic regulation expressly provides that Article 7 thereof is not applicable in the simplified registration procedure, a registration under that procedure also presupposes that the names conform with the

³⁷ See above, para. 13 et seq.

³⁸ Australia's FWS, para. 39, 191-192.

³⁹ The declaration was quoted in para. 21 of the Court's judgment (Exhibit COMP-11).

⁴⁰ Paragraph 92 of the Judgment (Exhibit COMP-11; emphasis added).

substantive requirements of that regulation. In the absence of express provisions to the contrary, there is no possibility, under the simplified procedure, of names being registered which do not fulfil the substantive conditions for registration under the normal registration procedure.

96. Furthermore, the declaration of the Council and the Commission referred to by the Court of Justice did not concern the simplified procedure of Article 17. The declaration read in relevant part as follows:⁴¹

The Council and the Commission further declare that where there are agriculture products or foodstuffs already being legally marketed before the making of this Regulation which may be the subject of an application for registration, it has been provided for any Member States to object to the registration under the provisions of Article 7 of the Regulation [...].

97. This declaration simply referred to the situation envisaged in the second indent of Article 7(4) of Regulation 2081/92, in which a statement of objection will be admissible. This declaration did in no way refer to the simplified procedure foreseen in Article 17. Nor did the European Court of Justice, as shown above, deduce from this declaration that a right of objection applied in the context of the simplified procedure.

98. In accordance with the clear wording of Article 17(2) of Regulation as applicable until the entry into force of Regulation 692/2003, the right of objection did not apply in the context of the simplified procedure.

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

99. In their first written submissions, the complainants have claimed that Regulation 2081/92:

- is incompatible with the national treatment obligation of the TRIPS and the Paris Convention (Article 3.1 TRIPS and Article 2.1 TRIPS in conjunction with Article 2.1 Paris Convention);
- establishes a requirement of domicile or establishment prohibited by the Paris Convention (Article 2.1 TRIPS in conjunction with Article 2.2 Paris Convention);
- is incompatible with the national treatment obligation of Article III:4 GATT.

100. The EC will discuss the claims under each of these provisions in turn.

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

101. Under the TRIPS Agreement, the obligation to provide national treatment with regard to the protection of intellectual property is set out in two different provisions. First, Article 3.1 TRIPS provides as follows:

Each Member shall 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

⁴¹ Exhibit EC-5.

intellectual property, subject to the exceptions already provided in, respectively, the Paris Convention (1967), the Berne Convention (1971), the Rome Convention or the Treaty on Intellectual Property in Respect of Integrated Circuits. In respect of performers, producers of phonograms and broadcasting organizations, this obligation only applies in respect of the rights provided under this Agreement. Any Member availing itself of the possibilities provided in Article 6 of the Berne Convention (1971) or paragraph 1(b) of Article 16 of the Rome Convention shall make a notification as foreseen in those provisions to the Council for TRIPS.

102. Moreover, Article 2.1 TRIPS integrates into the TRIPS Agreement the national treatment provision contained in Article 2.1 of the Paris Convention. Article 2.1 of the Paris Convention reads as follows:

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 specially 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.

103. Since both obligations are expressed in similar terms, the EC shall discuss the claims made by the complainants under both provisions jointly.

1. General remarks

104. Both Article 3.1 TRIPS and Article 2.1 Paris Convention oblige WTO Members to treat nationals of other Member no less favourably than their own nationals with respect to the protection of intellectual property rights. In *US – Section 211*, the Appellate Body has underlined the fundamental significance of the national treatment obligation within the context of the TRIPS.⁴² In its first written submission, the United States has recalled this fundamental importance of the national treatment obligation under the TRIPS.⁴³ The EC agrees.

105. However, the EC considers it equally important to understand the correct scope and meaning of the national treatment provisions of the TRIPS and the Paris Convention. Article 3.1 TRIPS provides that each Member shall accord to the nationals of other Members treatment no less favourable than that it accords to its own nationals. Similarly, Article 2.1 of the Paris Convention provides that 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. Accordingly, the national treatment obligation under the TRIPS aims at an equality of treatment between nationals.⁴⁴

106. This reference to nationals is of fundamental importance in the application of the national treatment provision under the TRIPS. This is illustrated by the findings of the Panel in *Indonesia – Cars*. In this case, the United States had argued that the Indonesian system put the United States companies in a position that, if they were successful in becoming a partner in the National Car Programme, they would be unlikely to use in Indonesia the mark normally used ("global" mark) on the vehicle marketed as a "national motor vehicle" in Indonesia, for fear of creating confusion. The

⁴² Appellate Body Report, *United States – Section 211*, para. 241.

⁴³ US FWS, para. 33.

⁴⁴ Daniel Gervais, *The TRIPS Agreement, Drafting History and Analysis*, (Sweet & Maxwell, 1998), p. 48.

Panel rejected this claim referring explicitly to the fact that no evidence had been brought to support the conclusion that the Indonesian system constituted discrimination between nationals.⁴⁵

We do not accept this argument for the following reasons. First, no evidence has been put forward to refute the Indonesian statement that the system, in requiring a new, albeit Indonesian-owned, trademark to be created, applies equally to pre-existing trademarks owned by Indonesian nationals and foreign nationals. Second, if a foreign company enters into an arrangement with a Pioneer company, it would do so voluntarily, with knowledge of any consequent implications for its ability to maintain pre-existing trademark rights [...].

107. The emphasis put by the TRIPS Agreement on nationals is not accidental. In Article 3.1 TRIPS and 2.1 Paris Convention, national treatment is provided "with regard to the protection of intellectual property". Intellectual property rights are held by natural and legal persons.⁴⁶ It is therefore entirely consistent with the object and purpose of the national treatment provision of TRIPS that national treatment be granted between nationals.

108. In this regard, the national treatment obligation of the TRIPS differs fundamentally from national treatment in the GATT. Article III:4 of the GATT provides that "the products of the territory of any contracting party imported into the territory of any other contracting party shall be accorded treatment no less favourable than that accorded to like products of national origin". Accordingly, unlike Article 3.1 TRIPS and 2.1 Paris Convention, Article III:4 GATT prescribes national treatment between goods, not between nationals.

109. The Panel in *Indonesia – Autos* in fact cautioned against reading Article 3.1 TRIPS so as to apply to matters not directly related to the equal treatment of nationals.⁴⁷

In considering this argument, we note that any customs tariff, subsidy or other governmental measure of support could have a "de facto" effect of giving such an advantage to the beneficiaries of this support. We consider that considerable caution needs to be used in respect of "de facto" based arguments of this sort, because of the danger of reading into a provision obligations which go far beyond the letter of that provision and the objectives of the Agreement. It would not be reasonable to construe the national treatment obligation of the TRIPS Agreement in relation to the maintenance of trademark rights as preventing the grant of tariff, subsidy or other measures of support to national companies on the grounds that this would render the maintenance of trademark rights by foreign companies wishing to export to that market relatively more difficult.

110. The United States and Australia fail to acknowledge this fundamental difference between the national treatment obligations of the TRIPS and the GATT.⁴⁸ In their first written submissions, they make no attempt to establish that Regulation 2081/92 discriminates between nationals of the EC and nationals of other WTO members.

⁴⁵ Panel Report, *Indonesia – Cars*, para. 14.271 (emphasis added). The United States is therefore wrong to claim that *US – Section 211* has been the only dispute concerning the national treatment obligation in the context of the TRIPS Agreement (US FWS, para. 34).

⁴⁶ On the definition of nationality in this respect, cf. Bodenhausen, Guide to the Application of the Paris Convention for the Protection of Industrial Property, p. 27-28 (1968).

⁴⁷ Panel Report, *Indonesia – Autos*, para. 14.723 (emphasis added).

⁴⁸ This is all the more striking since the US, when discussing the most-favored-nation obligation under the TRIPS and the GATT, did distinguish between treatment of nationals and treatment of products (US, FWS, para. 108).

111. As the EC will show, Regulation 2081/92 does not discriminate between EC nationals and nationals of other WTO members.

112. Moreover, the EC will show for each of the claims raised that, even if Regulation 2081/92 applied differently to foreign and EC nationals, it could not be considered as providing less favourable treatment.

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

113. The US and Australia have claimed that by subjecting the registration of geographic indications from other WTO members to "conditions of reciprocity and equivalence", Regulation 2081/92 violates the national treatment provisions of Article 3.1 TRIPS and 2.1 Paris Convention.⁴⁹

114. This claim is wrong for the following reasons:

- The EC does not apply a condition of reciprocity and equivalence for the registration of geographical indications from other WTO members;
- The conditions for the registration of individual geographical indications do not constitute less favourable treatment;
- The conditions for the registration of geographical indications do not depend on nationality.

(a) The EC does not apply a condition of reciprocity and equivalence for the registration of geographical indications from other WTO members

115. The United States and Australia have alleged that Article 12(1) of Regulation 2081/92 subjects the registration of foreign geographical indications to a condition of "reciprocity and equivalence". In particular, the United States has argued that in order to ensure the protection of geographical indications relating to areas in other WTO Members, the EC requires them to (a) reciprocally grant equivalent GI protection for agricultural products and foodstuffs coming from the EC 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.⁵⁰

116. As the EC has already set out previously, this claim is factually incorrect.⁵¹ WTO Members must provide adequate protection of geographical indications in accordance with the TRIPS Agreement. For this reason, Article 12(1) of Regulation 2081/92, which applies only subject to international agreements, does not apply to other WTO Members.⁵²

117. Accordingly, the EC does not condition the registration of geographical indications relating to the territory of another WTO Member to the condition that it reciprocally grant equivalent protection

⁴⁹ US FWS, para. 57 et seq. It appears that Australia has also attempted to raise the same claim, albeit in less clear form (Australia's FWS, para. 199).

⁵⁰ US FWS, para. 59.

⁵¹ Above para. 62 et seq.

⁵² Above para. 62 et seq.

for agricultural products and foodstuffs coming from the EC and that it adopts a system for protecting geographical indications equivalent to that in the EC.

- (b) The conditions for the registration of individual geographical indications do not constitute less favourable treatment

118. However, the EC would like to clarify that whereas it does not require equivalence as regards the system of protection of geographical indications, it does require that the product specifications and inspection regimes with regard to specific geographical indications from third countries meet the conditions of Regulation 2081/92. For this reason, any application for a geographical indication relating to an area in a third country must be accompanied by a product specification, and must indicate that the necessary inspection procedures exist.⁵³

119. It is not entirely clear to the EC whether the complainants are also challenging these GI-specific requirements. The EC notes, however, that in its submission, the United States has frequently referred to the notion of "equivalence" without any further qualification, and has claimed that the national treatment obligation was specifically intended to prohibit such a condition.⁵⁴

120. In case the complainants should also challenge these GI-specific requirements, the EC would like to clarify that it considers that this interpretation would be erroneous. Article 3.1 TRIPS and 2.1 Paris Convention oblige WTO Members to provide "treatment no less favourable" to the nationals of other WTO Members; they do not oblige WTO Members to provide treatment more favourable.

121. As the EC has also explained, the objective of the product specification and the inspection regimes foreseen in Regulation 2081/92 is to ensure that the products meet the requirements that can be expected from products marketed using the protected name.⁵⁵ These considerations apply to protected names from the EC and from third countries alike. Therefore, the requirement in Regulation 2081/92 of an assurance that the product specifications regarding a foreign geographical indication are respected is not less favourable treatment, but equal treatment.

122. Accordingly, any claim regarding a violation of the national treatment provisions of Article 3.1 TRIPS and 2.1 Paris Convention through the conditions for the registration of individual geographic indications would be unfounded.

- (c) The conditions for the registration of geographical indications do not depend on nationality

123. As the EC has set out, Article 3.1 TRIPS and 2.1 Paris Convention require equal treatment, as regards the protection of intellectual property, between nationals. However, the conditions and procedures contained in Regulation 2081/92 for the registration of geographical indications do not depend on nationality.

124. As the EC has explained above, the conditions and procedures for the registration of geographical indications relating to an area located in the EC are set out in Article 5 and 6 of Regulation 2081/92.⁵⁶ In contrast, the conditions and procedures for the registration of geographical indications relating to an area located in another WTO Member are contained in Article 12a and 12b of the Regulation.⁵⁷

⁵³ Cf. above para. 68.

⁵⁴ Cf. e.g. US FWS, para. 57.

⁵⁵ Above para. 48 et seq., 50 et seq.

⁵⁶ See above para. 56 et seq.

⁵⁷ See above para. 62.

125. Whether the area to which a geographic indication is related is located inside the EC or outside is in no way linked to the question of the nationality of the producers of the product concerned. Protection of a geographical indication relating to an area located in the EC is obtained in accordance with Article 5 and 6 of the Regulation, even if the producers in question are foreign nationals. Inversely, protection for a geographical indication located outside the EC must be obtained in accordance with Articles 12a and 12b of Regulation 2081/92, even if the producers in question are EC nationals. In both situations, the same also applies if certain producers are EC nationals, and others are not.

126. Accordingly, Regulation 2081/92 does not distinguish between EC nationals and other nationals. For this reason also, the claim must fail.

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

127. The United States (but not Australia) has claimed that Regulation 2081/92 violates the national treatment obligations under the TRIPS and the Paris Convention by requiring that applications must be transmitted by the country in which the geographical area is located.⁵⁸ The United States has argued that this requirement implies an "extra hurdle" for foreign nationals which is not faced by EC nationals. In particular, the United States has invoked the possibility that the third country concerned might have "neither the infrastructure nor the inclination" to process and transmit the application.

128. The EC submits that this claim must fail. First, the question which government must transmit the application in accordance with Article 6 or Article 12a of the Regulation does not depend on nationality, but on the question where the geographic area in question is located.⁵⁹ Accordingly, Regulation 2081/92 does not differentiate on the basis of nationality.

129. Second, the Regulation does not constitute less favourable treatment for third country nationals. The role of third country governments provided for in Article 12a of the Regulation corresponds exactly to that of EC Member States where geographical indications relating to an area located in the EC are concerned. As the EC has set out above, this involvement of the Member State or third country concerned in the registration process is crucial, as the government of the country concerned is particularly well placed to examine the admissibility of applications relating to geographical areas located on its territory. Accordingly, the condition that an application relating to an area located in a third country is transmitted by the government in question does not amount to "less favourable treatment", but in fact ensures equal treatment.

130. The references by the US to an absence of "infrastructure" or "inclination" on the part of the third country are not convincing. The verification and transmission of an application for registration of a geographical indication are not overly burdensome for another WTO Member. As regards "inclination", the EC finds it remarkable that the United States would invoke its own unwillingness to cooperate in the registration process in order to demonstrate a national treatment violation on the part of the EC.

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

⁵⁸ US FWS, para. 81.

⁵⁹ Cf. above para. 123 et seq.

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

132. The United States (but not Australia) has claimed that the requirement contained in Article 12(2) of Regulation 2081/92 to indicate the country of origin constitutes a violation of national treatment provisions under the TRIPS and the Paris Convention.⁶⁰ This claim is unfounded for the following reasons:

- Article 12(2) of Regulation 2081/92 does not apply to all geographical indications, but only to homonyms;
- the requirement to indicate the country of origin for homonymous geographical indications from the EC and third countries does not constitute less favourable treatment;
- Article 12(2) of Regulation 2081/92 does not discriminate between nationals.

(a) Article 12(2) of Regulation 2081/92 does not apply to all geographical indications, but only to homonyms

133. The United States has claimed that Article 12(2) of Regulation 2081/92 provides that use of all foreign geographical indications require the indication of the country of origin. As the EC has already clarified,⁶¹ this claim of the United States is based on a misunderstanding. The second subparagraph of Article 12(2) only relates to the situation of the first subparagraph where "a protected name of a third country is identical to a Community protected name". Accordingly, there is no need to examine whether a requirement to indicate the country of origin for all foreign geographical indications would be compatible with national treatment obligations.

(b) The requirement to indicate the country of origin for homonymous geographical indications from the EC and third countries does not constitute less favourable treatment

134. Since it has misunderstood the meaning of Article 12(2) of the Regulation 2081/92, the United States has not indicated whether it considers the requirement to indicate the country of origin discriminatory also when only applying to homonymous names from the EC and a third country. Should the United States have intended to make such an argument, then it would be manifestly unfounded.

135. Article 12(2) in fact does not only apply to third country names, but also to Community names. As the EC has explained, it therefore may require the indication of the country of origin for both EC and third country names, depending on which geographical indication has been protected earlier.⁶² Accordingly, Article 12(2) of Regulations treats geographical indications from the EC and third countries alike.

136. Accordingly, Article 12(2) of Regulation 2081/92 is entirely compatible with the national treatment obligations of the TRIPS and the Paris Convention.

⁶⁰ US FWS, para. 68. Australia has made a similar claim under Article 2.1 of the TBT Agreement, which will be discussed below (cf. Australia's FWS, para. 234).

⁶¹ Above para. 85.

⁶² Above para. 88.

(c) Article 12(2) of Regulation 2081/92 does not discriminate between nationals

137. The second subparagraph of Article 12(2) of Regulation 2081/92 provides that the use of "such names" is authorized only if the country of origin is clearly and visibly indicated on the label. As the EC has set out above,⁶³ "such names" is a reference to the first subparagraph of Article 12(2). Accordingly, the requirement to indicate the country of origin applies where "a protected name of a third country is identical to a Community protected name".

138. As the EC has already set out in response to Claim 1, whether a protected name is a "Community name" or a "third country name" within the meaning of Regulation 2081/92 depends on where the geographical area to which the geographical indication is related is located. It has nothing to do with nationality. Accordingly, Article 12(2) does not imply any discrimination between nationals.⁶⁴

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

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

140. The United States and Australia have claimed that only nationals from WTO member countries recognised in accordance with Article 12(3) of Regulation 2081/92 as fulfilling the conditions of reciprocity and equivalence may object to registrations of geographical indications in accordance with Article 12d of the Regulation.⁶⁵

141. This is factually wrong. As the EC has already set out,⁶⁶ Article 12d(1) of Regulation 2081/92 gives a right to object to any person that "is from a WTO Member or a third country recognised under the procedure provided for in Article 12(3)". It is clear from this explicit reference to WTO Members that WTO Members are not subject to the procedure of Article 12(3) applicable to other third countries. The same applies also under Article 12.b.2 with respect to objections against the registration of geographical indications from outside the EC.

142. The claim is also legally unfounded. Article 3.1 TRIPS and 2.1 of the Paris Convention relate only to equal treatment between nationals. However, Article 7(3) of Regulation 2081/92 refers to persons which are resident or established in the EC, regardless of their nationality. Similarly, Article 12d(1) refers to persons resident or established outside the EC, regardless of their nationality. It should also be noted that conditions regarding domicile or establishment are the subject of Article 2.2 Paris Convention, on the basis of which the complainants have formulated separate claims.⁶⁷

143. Accordingly, this claim should be dismissed.

⁶³ Above para. 87.

⁶⁴ The EC would point out that if national treatment under the TRIPS were considered as applying also to discrimination between goods, then the relationship between the provisions of the TRIPS on national treatment and Article IX:1 of the GATT would become an issue (on the relationship between Article III:4 and IX:1 GATT, see below para. 213 et seq.).

⁶⁵ United States FWS, para. 92; Australia's FWS, para. 204.

⁶⁶ Above para. 73 et seq.

⁶⁷ See above Section II.B.3 and below Section IV.B.

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

144. The United States and Australia have claimed that Regulation 2081/92 accords less favourable treatment to non-EC nationals by requiring their own country to transmit the objection.⁶⁸

145. First, it must once again be remarked that Article 12d(2) applies not to nationals, but to persons resident or established in a third country. Accordingly, Regulation 2081/92 does not accord different treatment on the basis of nationality.

146. Second, the treatment accorded to persons resident or established in the Community and persons resident or established in the EC is exactly identical. For persons resident or established in the Community, Article 7 requires that the statement of objection shall be submitted to the EC Member State where the person is resident or established, who shall transmit the objection to the Commission. For persons resident or established in a third country, Article 12d(1) provides that the statement shall be submitted to the third country of residence or establishment, which shall transmit it to the Commission. Accordingly, Regulation 2081/92 does not apply unequal, but equal treatment.

147. The United States has argued that the third country might not have "the appropriate mechanism to process the objection, or may or may not be inclined to transmit the objection, for its own political reasons".⁶⁹ Similarly, Australia has argued that third countries "have no legally defined relationship" regarding such objections.⁷⁰

148. These objections are unconvincing. First, it does not appear that a particularly demanding infrastructure is required for processing and transmitting a statement of objection. Second, the complainants cannot rely on their own unwillingness to cooperate in the transmission of a statement of objection in order to demonstrate a violation of national treatment obligations on the part of the EC.

149. Accordingly, Regulation 2081/92 does not accord less favourable treatment to non-EC nationals by requiring their own country to transmit the objection.

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

150. The United States (but not Australia) has claimed that Article 12d(1) Regulation 2081/92 accords less favourable treatment to non-EC nationals by requiring non-EC nationals to have a "legitimate interest" to object to the registration of geographical indications.⁷¹

151. As the EC has shown, there is no substantive difference between the term "legitimate interest" used in Article 12d(1) of Regulation 2081/92 and the term "legitimately concerned" in Article 7(3). Rather, "legitimately concerned" and "legitimately concerned" are synonymous expressions.

152. Since the claim is based on a misunderstanding of the Regulation, it does not need to be discussed any further.

⁶⁸ US, FWS, para. 90; Australia's FWS, para. 205.

⁶⁹ US, FWS, para. 90.

⁷⁰ Australia's FWS, para. 205.

⁷¹ US, FWS, para. 93-94.

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

153. Australia (but not the United States) has argued that Regulation 2081/92 accords less favourable treatment because a non-EC rightholder has no "representative" in the regulatory committee to "speak for him".⁷²

154. This claim is manifestly unfounded. First, Australia has not correctly understood the decision-making process under the Regulation. As the EC has set out,⁷³ the decision-maker under the Regulation is the Commission, or exceptionally the Council. The Committee merely assists the Commission, and may exceptionally achieve that a proposal is referred to the Council. In no case does it take decisions itself. Moreover, Member States representatives on the Committee do not speak for particular rightholders, but represent the respective EC Member State.

155. Secondly, Australia's claim to have a representative on the regulatory committee is not reasonable. The public authorities of a WTO Member must be presumed to administer their duties properly and fairly. This is independent of the nationality of the civil servants and employees working for such authorities. The EC also notes that there are no "EC representatives" in the public authorities and agencies of Australia. The EC does not assume that Australia would want to suggest that for this reason, Australian authorities cannot be assumed to correctly implement their WTO obligations with respect to the EC.

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

156. Australia has claimed that there is a violation of national treatment in the fact that a right of objection was available to persons resident or established in an EC Member State that was not available to other WTO Member nationals in respect of the registration of more than 120 geographical indications under the normal registration process.⁷⁴ This claim must fail for the following reasons:

- Australia's claim relates to a measure which was no longer in force at the time of establishment of the Panel, and which is therefore not within the terms of reference of the Panel;
 - the individual registrations are not in violation of national treatment obligations;
 - Australia is seeking to obtain a retroactive remedy it could not have obtained had it attacked the measure while it was still in force.
- (a) Australia's claim relates to a measure which was no longer in force at the time of establishment of the Panel, and which is therefore not within the terms of reference of the Panel

157. Australia's claim relates to Regulation 2081/92 as in force until 8 April 2003, when Regulation 692/2003 entered into force. It therefore relates to a measure which was no longer in force

⁷² Australia's FWS, para. 203.

⁷³ Above, para. 79 et seq.

⁷⁴ Australia's FWS, para. 184 et seq.

at the time of establishment of the Panel. Accordingly, as the EC has set out above, this measure is therefore not within the terms of reference of the Panel.⁷⁵

(b) The individual registrations are not in violation of national treatment obligations

158. In its submission, Australia has also argued that "in respect to the registration under the normal registration process of more than 120 EC-defined GIs" before Regulation 2081/92 was amended by Regulation 692/2003, the "EC measure" accorded less favourable treatment to foreign nationals. With this claim, Australia seems to suggest that the individual registrations of geographical indications which were carried out prior to the entry into force of Regulation 692/2003 somehow violate the national treatment obligations under the TRIPS and the Paris Convention.

159. This claim of Australia's is unfounded. Australia has made no plausible case that the 120 registrations in question in any way violate the national treatment obligations under the TRIPS and the Paris Convention.

160. Australia's claim is based exclusively on the argument that no right of objection was available to third country-nationals under Regulation 2081/92 before its amendment by Regulation 692/2003. However, this claim relates to Regulation 2081/92 as applicable before its amendment, and the procedure it prescribed for the registration of geographical indications. The rules governing the procedure leading up to the adoption of a measure are not the same as the measure itself.

161. In contrast, Australia has advanced no arguments in support of its claim that the individual registrations are incompatible with national treatment obligations. It is submitted that Australia is unable to do so. Each individual registration grants protection to a specific geographical indication relating to a specific geographical area. It is not clear to the European Community how such a registration could be considered to grant less favourable treatment to third-country nationals.

(c) Australia is seeking to obtain a retroactive remedy it could not have obtained had it attacked the measure while it was still in force.

162. In addition, the EC considers it important to remark that Australia's claim, if directed against the individual registrations, has considerable implications for the dispute settlement system set up by the DSU. In fact, with its claim, Australia is seeking to obtain a retroactive remedy that it could not even have obtained had it attacked Regulation 2081/92 before it was amended by Regulation 692/2003.

163. According to Article 19.1 DSU, where a panel or the Appellate Body concludes that a measure is inconsistent with a covered agreement, it shall recommend that the Member concerned "bring the measure into conformity with that agreement". It is universally accepted that this signifies that recommendations of panels and the Appellate Body are prospective, not retrospective in nature.⁷⁶ This has also been confirmed by the Appellate Body in *US – Certain EC Products*.⁷⁷

We note, though, that there is an obvious inconsistency between the finding of the Panel that "the 3 March Measure is no longer in existence" and the subsequent recommendation of the Panel that the DSB request that the United States bring its 3 March Measure into conformity with its WTO obligations. The Panel erred in

⁷⁵ See above Section II.A.1.

⁷⁶ Australia itself has argued in favour of the prospective character of WTO remedies even in regard to Article 4.7 SCM Agreement; cf. Panel Report, *Australia – Automotive Leather (Article 21.5 – US)*, para. 6.14.

⁷⁷ Appellate Body, *US – Certain EC Products*, para. 81.

recommending that the DSB request the United States to bring into conformity with its WTO obligations a measure which the Panel has found no longer exists.

164. Reference can also be made to the findings of the GATT Panel in *Norway – Trondheim Bridge*, which clearly stated that GATT remedies were not retroactive.⁷⁸

The Panel then turned its attention to the recommendations that the United States had requested it to make. In regard to the United States' request that the Panel recommend that Norway take the necessary measures to bring its practices into compliance with the Agreement with regard to the Trondheim procurement, the Panel noted that all the acts of non-compliance alleged by the United States were acts that had taken place in the past. The only way mentioned during the Panel's proceedings that Norway could bring the Trondheim procurement into line with its obligations under the Agreement would be by annulling the contract and recommencing the procurement process. The Panel did not consider it appropriate to make such a recommendation. Recommendations of this nature had not been within customary practice in dispute settlement under the GATT system and the drafters of the Agreement on Government Procurement had not made specific provision that such recommendations be within the task assigned to panels under standard terms of reference. Moreover, the Panel considered that in the case under examination such a recommendation might be disproportionate, involving waste of resources and possible damage to the interests of third parties.

165. The Panel went on to emphasise that these considerations were in no way specific to government procurement, but were of a general nature.⁷⁹

In considering this argument, the Panel was of the view that situations of the type described by the United States were not unique to government procurement. Considerable trade damage could be caused in other areas by an administrative decision without there necessarily being any GATT inconsistent legislation, for example in the areas of discretionary licensing, technical regulations, sanitary and phytosanitary measures and subsidies. Moreover, there had been cases where a temporary measure contested before the GATT had been lifted before a Panel had been able to report.

166. In the present case, even if Australia had challenged a violation of national treatment before Regulation 2081/92 was amended by Regulation 692/2003, it could therefore not have claimed that the EC undo all the registrations already carried out, or that it reopen a possibility of objection against such registrations.

167. Australia has also argued that when Regulation 692/2003 entered into force, it should have reopened a full objection period in respect to all geographical indications for which applications were pending.⁸⁰ This argument shows even more clearly the retroactive character of Australia's claims. If the period of objection had already fully or partially run out for EC residents, then claims based on national treatment would not have given a retroactive right to reopen an objection period for non-EC residents.

⁷⁸ Panel Report, *Norway – Trondheim Bridge*, para. 4.17.

⁷⁹ Panel Report, *Norway – Trondheim Bridge*, para. 4.23.

⁸⁰ Australia's FWS, para. 188.

168. By formulating its claim not against the terminated measure but against the acts which are derived from it, Australia is effectively trying to circumvent the principle that WTO remedies are not retroactive in nature. For this reason also, Australia's claim must be rejected.

169. For all the reasons set out above, Australia's claim must be rejected.

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

170. Finally, Australia also claims that a right of objection was available to persons resident or established in an EC Member State that was not available to other WTO Member nationals in respect of the registration of more than 480 EC-defined GIs under the simplified registration procedure.⁸¹ In this respect, Australia refers to the simplified registration procedure provided for in Article 17 of Regulation 2082/92 until its amendment through Regulation 2081/92.

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

172. Moreover, Australia's claim is factually wrong. As the EC has already set out, there was no right of objection for EC residents under the simplified procedure.⁸² The fact that there was no right of objection for third-country residents therefore did not constitute a violation of national treatment obligations.

173. Australia's claims must therefore be rejected.

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

174. The complainants have also raised certain claims under Article 2.1 TRIPS in conjunction with Article 2.2 Paris Convention. Article 2.2 Paris Convention, which prohibits subjecting the enjoyment of intellectual property rights to a condition of domicile or establishment, is a separate and distinct obligation from Article 2.1 of the Paris Convention.

175. As the EC has set out, the complainant's claims under Article 2.2 Paris Convention are not within the Panel's terms of reference.⁸³ This notwithstanding, the EC will hereafter briefly refute certain erroneous arguments made in this respect by the complainants.

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

176. The United States (but not Australia) has argued that Regulation 2081/92 requires non-EC nationals to become established in the EC as a condition for registering geographical indications.⁸⁴ This claim is unfounded for the following reasons:

- Geographical indications relating to an area located in a WTO country can be registered under Regulation 2081/92;

⁸¹ Australia's FWS, para. 190 et seq.

⁸² Supra para. 91 et seq.

⁸³ See above Section II.B.3.

⁸⁴ US FWS, para. 84.

- The right to register a geographical indication does not depend on domicile or establishment;
- Article 2.2 Paris Convention does not exclude measures which ensure that a product originates in the geographical to which a protected geographical indication area is related.

(a) Geographical indications relating to an area located in a WTO country can be registered under Regulation 2081/92

177. The United States has based its claim on the assumption that a US national cannot register a geographical indication relating to an area in the United States.⁸⁵ The United States claim therefore seems to be based on its assumption that the registration of geographical indications relating to an area outside the EC is possible only if conditions of reciprocity and equivalence of protection systems are fulfilled.

178. As the EC has already explained, the registration of geographical indications relating to an area located in another WTO Member does not depend on the fulfilment of such conditions.⁸⁶ Any geographical indication relating to an area in another WTO Member can be registered if it fulfils the conditions set out in the Regulation.

179. Accordingly, there is no requirement as to domicile or establishment for the registration of geographical indications relating to an area located in a third country. Already for this reason, the United States claim must fail.

(b) The right to register a geographical indication does not depend on domicile or establishment

180. The United States has argued further that a US national could not register a geographical indication relating to an area located in the EC without "having some form of investment or business establishment in the EC".⁸⁷

181. This assumption of the United States is wrong. First of all, not any form of investment or "business establishment" would appear to constitute "an establishment" within the meaning of Article 2.2 of the Paris Convention.

182. Second, in order for a name to qualify as a geographical indication under Regulation 2081/92, it must "possess a specific quality, reputation or other characteristics attributable to that geographical origin and the production and/or processing and/or preparation of which take place in the defined geographical area".⁸⁸

183. Accordingly, the Regulation does not require that a producer be domiciled or established in the EC. It merely requires that the production, processing or preparation, alternatively or cumulatively, must take place in the defined geographical area. What specific activities of production, processing, or preparation must take place in the specific area will depend on the specifications for the

⁸⁵ US FWS, para. 85.

⁸⁶ Above para. 62 et seq.

⁸⁷ US FWS, para. 85.

⁸⁸ Article 2.2 (b) of the Regulation. As has been noted above para. 46, a closer link with the geographical area is required for designations of origin. However, since the procedures for registration and protection of designations of origin are identical to those for geographical indications, the EC will refer only to the latter.

product in question. It cannot be assumed, however, that these specifications will necessarily require a producer to be domiciled or established in the geographical area in question.

- (c) Article 2.2 Paris Convention does not exclude measures which ensure that a product originates in the geographical area to which a protected geographical indication is related

184. Moreover, if the argument of the United States were accepted, it would have the effect of rendering the protection of geographical indications as defined in the TRIPS impossible.

185. According to Article 22.1 TRIPS, a geographical indication identifies "a good as originating in the territory of a Member, or a region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin". Thus, the definition of a geographical indication in the TRIPS presupposes that the good in question has an identifiable geographical origin.

186. The definition in Regulation 2081/92 that the production and/or processing and/or preparation must take place in the defined geographical area implements this requirement of an identifiable geographical origin. The argument of the United States that this constitutes a requirement of "domicile or establishment" incompatible with Article 2.2 of the Paris Convention is equivalent to saying that a geographical indication should be protected even if the products in question do not originate in the area to which the geographical indication relates.

187. Such an interpretation is incompatible with Article 22.1 TRIPS, and must also for this reason be rejected.

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

188. The United States has argued that the fact that Regulation 2081/92 requires the home country of third country nationals to transmit the statement of objection constitutes a requirement of residence or domicile contrary to Article 2.2 of the Paris Convention.⁸⁹

189. This claim is manifestly unfounded. Article 12d(1) of Regulation 2081/92 explicitly allows persons from other WTO countries who are resident or established in third countries to object to registrations. It merely requires that, in close parallelism with the situation for EC residents, the statement of objection be transmitted by the third country in which the person is resident. This procedural modality does not constitute a "requirement of domicile or establishment" for the enjoyment of an industrial property right. Accordingly, this claim must be rejected.

C. NATIONAL TREATMENT UNDER ARTICLE III:4 GATT

190. The complainants have raised a number of claims alleging that Regulation 2081/92 is incompatible with the national treatment obligation contained in Article III:4 GATT. In this section, the EC will show that Regulation 2081/92 is fully compatible with Article III:4 GATT. In the alternative, the EC considers that the EC measure is justified by Article XX (d) GATT.

⁸⁹ US FWS, para. 91. Australia has raised Article 2.2 Paris Convention in the context of its claims with respect to Regulation 2081/92 as applicable before it was amended by Regulation 692/2003 (Australia's FWS, paras. 189, 194). Like the claims raised under Article 3.1 TRIPS and 2.1 Paris Convention, these claims are outside the terms of reference of the Panel, and therefore need not be considered further (cf. above Section II.A.1).

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

191. The national treatment obligation contained in Article III:4 GATT provides as follows:

The products of the territory of any contracting party imported into the territory of any other contracting party shall be accorded treatment no less favourable than that accorded to like products of national origin in respect of all laws, regulations and requirements affecting their internal sale, offering for sale, purchase, transportation, distribution or use. The provisions of this paragraph shall not prevent the application of differential internal transportation charges which are based exclusively on the economic operation of the means of transport and not on the nationality of the product.

192. As the EC will show, Regulation 2081/92 is entirely compatible with this obligation.

(a) General remarks

193. In *Korea – Various Measures on Beef*, the Appellate Body explained that for a violation of Article III:4 to be established, three elements must be satisfied:⁹⁰

For a violation of Article III:4 to be established, three elements must be satisfied: that the imported and domestic products at issue are "like products"; that the measure at issue is a "law, regulation, or requirement affecting their internal sale, offering for sale, purchase, transportation, distribution, or use"; and that the imported products are accorded "less favourable" treatment than that accorded to like domestic products.

194. The EC does not contest that Regulation 2081/92 is a measure affecting the internal sale of products. However, it considers that some general remarks are necessary on the first and the third condition, namely that products at issue must be "like products", and that the imported products must be accorded "less favourable treatment" than like domestic products.

(i) *Like products*

195. The EC does not contest that products from third countries falling under the scope of Regulation 2081/92 may be "like" EC products which fall under the scope of that Regulation.

196. The EC would also like to stress, however, that the question of whether products are "like" for the purposes of Article III:4 GATT must be separated from the question of whether the conditions for the registration of individual geographic indications are fulfilled. In the following passage in its first written submission, Australia seems to be merging these two issues:⁹¹

However, the products in respect of which an EC-defined GI may be registered remain subject to the provisions of Article III:4 of GATT 1994. Thus, within the meaning of GATT Article III:4, for example: imported apples and pears would be like products to "Savoie" apples and pears; imported oysters would be like products to "Whitstable" oysters; imported olive oils would be like product to the many olive oils for which an EC-defined GI has been registered; and imported trout would be like product with "Black Forest" trout.

⁹⁰ Appellate Body Report, *Korea – Various Measures on Beef*, para. 133.

⁹¹ Australia's FWS, para. 162.

197. Once again, the EC has no problem in accepting that apples or oysters from Australia may be "like" apples or oysters from the EC. However, the EC would like to remark that this does not mean that the EC cannot apply the conditions for the registration of geographic indications, as long as these conditions do not result in less favourable treatment for imported products.

198. The fact that a domestic measure may distinguish between "like" products without for that reason alone according less favorable treatment, was also explicitly confirmed by the Appellate Body in *EC – Asbestos*.⁹²

We recognize that, by interpreting the term "like products" in Article III:4 in this way, we give that provision a relatively broad product scope – although no broader than the product scope of Article III:2. In so doing, we observe that there is a second element that must be established before a measure can be held to be inconsistent with Article III:4. Thus, even if two products are "like", that does not mean that a measure is inconsistent with Article III:4. A complaining Member must still establish that the measure accords to the group of "like" *imported* products "less favourable treatment" than it accords to the group of "like" *domestic* products. The term "less favourable 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. However, a Member may draw distinctions between products which have been found to be "like", without, for this reason alone, according to the group of "like" *imported* products "less favourable treatment" than that accorded to the group of "like" *domestic* products. [...].

(ii) *Less favourable treatment*

199. In *Korea – Various Measures on Beef*, the Appellate Body has defined the meaning of "less favourable treatment" as follows.⁹³

We observe, however, that Article III:4 requires only that a measure accord treatment to imported products that is "no less favourable" than that accorded to like domestic products. A measure that provides treatment to imported products that is *different* from that accorded to like domestic products is not necessarily inconsistent with Article III:4, as long as the treatment provided by the measure is "no less favourable". According "treatment no less favourable" means, as we have previously said, according *conditions of competition* no less favourable to the imported product than to the like domestic product.

200. The Appellate Body continued as follows:⁹⁴

A formal difference in treatment between imported and like domestic products is thus neither necessary, nor sufficient, to show a violation of Article III:4. Whether or not imported products are treated "less favourably" than like domestic products should be assessed instead by examining whether a measure modifies the *conditions of competition* in the relevant market to the detriment of imported products.

⁹² Appellate Body Report, *EC – Asbestos*, para. 100.

⁹³ Appellate Body Report, *Korea – Various Measures on Beef*, para. 135.

⁹⁴ Appellate Body Report, *Korea – Various Measures on Beef*, para. 137.

201. As the EC will show, Regulation 2081/92 does not modify the conditions of competition to the detriment of imported products.

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

202. The complainants have claimed that Regulation 2081/92 accords less favourable treatment as regards the conditions for registration of foreign geographical indications by imposing conditions of reciprocity and equivalence.⁹⁵

203. As the EC has already stated above, Regulation 2081/92 does not impose a condition of reciprocity and systemic equivalence for the registration of geographical indications from other WTO Members.⁹⁶ Accordingly, it does not apply less favourable treatment to products from other WTO Members.

204. As it has already done in response to the claims under the national treatment provisions of the TRIPS and the Paris Convention,⁹⁷ the EC would like to recall, however, that whereas it does not require other WTO Members to have an equivalent system for the protection of geographical indications, it must ensure that indications from third countries comply with the conditions set out in Regulation 2081/92. However, in this respect, the EC treats products from the EC like it treats products from other WTO Members.

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

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

206. The complainants have argued that Regulation 2081/92 accords less favourable treatment as regards the requirement that the application must be transmitted by the government of the third country.⁹⁸

207. As the EC has already set out above with respect to the national treatment obligations under the TRIPS and the Paris Convention,⁹⁹ the role of third country governments provided for in Article 12a of the Regulation corresponds exactly to that of EC Member States where geographical indications relating to an area located in the EC are concerned. Accordingly, the condition that an application relating to an area located in a third country is transmitted by the government in question does not amount to "less favourable treatment", but in fact ensures equal treatment. Moreover, Australia and the United States cannot invoke their own unwillingness to cooperate in the application process in order to argue that Regulation 2081/92 constitutes less favourable treatment for their own nationals.

208. Accordingly, this claim is equally unfounded.

⁹⁵ US FWS, para. 104; Australia's FWS, para. 165 et seq.

⁹⁶ See above, para. 62.

⁹⁷ Above para. 113 et seq.

⁹⁸ US FWS, para. 104(d); Australia's FWS, para. 172 et seq.

⁹⁹ Above para. 127 et seq.

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

209. The United States (but not Australia) has argued that Regulation 2081/92 accords less favourable treatments as regards the requirement to indicate the country of origin.¹⁰⁰

210. This claim is unfounded for the following reasons:

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

- (i) *Article 12(2) of Regulation 2081/92 does not apply to all geographical indications, but only to homonyms*

211. As the EC has already set out in response to the United States' corresponding claim under the TRIPS Agreement, Article 12(2) of Regulation 2081/92 does not apply to all geographical indications, but only to homonyms.¹⁰¹ Accordingly, there is no requirement to indicate the country of origin for all foreign geographical indications.

- (ii) *The requirement to indicate the country of origin for homonymous geographical indications from the EC and third countries does not constitute less favourable treatment*

212. As the EC has also already explained, Article 12(2) does not only apply to third country names, but applies on equal terms to Community names.¹⁰² Accordingly, Article 12(2) treats foreign and EC goods alike.

- (iii) *Article IX:1 of the GATT is a lex specialis to Article III:4 GATT; national treatment obligations therefore do not apply to requirements to mark the country of origin*

213. Finally, it should be noted that marks of origin are dealt with in Article IX of the GATT. Article IX:1 provides as follows:

Each contracting party shall accord to the products of the territories of other contracting parties treatment with regard to marking requirements no less favourable than the treatment accorded to like products of any third country.

214. It is noteworthy that Article IX GATT contains, with respect to marks of origin, exclusively an obligation to provide most-favoured nation treatment. It does not contain an obligation to also provide national treatment. This has been confirmed by the GATT Panel in *US – Tuna*.¹⁰³

¹⁰⁰ US FWS, para. 106. Australia has made a similar claim under Article 2.1 of the TBT Agreement, which will be discussed below (cf. Australia's FWS, para. 234).

¹⁰¹ Above para. 133.

¹⁰² Above para. 134.

¹⁰³ Panel Report, *US – Import Restrictions on Tuna*, para. 5.41.

The Panel noted that the title of Article IX is 'Marks of Origin' and its text refers to marking of origin of imported products. The Panel further noted that Article IX does not contain a national-treatment but only a most-favoured-nation requirement, which indicates that this provision was intended to regulate marking of origin of imported products but not marking of products generally. The Panel therefore found that the labelling provisions of the DPCIA did not fall under Article IX:1.

215. This omission in Article IX:1 cannot be regarded as accidental. If the GATT had meant to also impose a national treatment obligation with respect to marks of origin, it would have been natural to include such an obligation in Article IX. Alternatively, Article IX could have remained silent on the issue of national and most-favoured nation treatment, in which case the general obligations contained in Articles I and III of the GATT would have applied.

216. By laying down an obligation only to provide most-favoured nation treatment and not also national treatment, Article IX implies that WTO members are free to impose country of origin marking only with respect to imported products and not to domestic products. This understanding is also confirmed by a report of a GATT working party:¹⁰⁴

The Working Party considered that the question of additional marking requirements, such as an obligation to add the name of the producer or the place of origin or the formula of the product, should not be brought within the scope of any recommendation dealing with the problem of marks of origin. The point was stressed that requirements going beyond the obligation to indicate origin would not be consistent with the requirements of Article III, if the same requirements did not apply to domestic producers of like products.

217. For these reasons, Article III:4 is not applicable to requirements to indicate the country of origin for an imported product.

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

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

219. Australia has argued that Regulation 2081/92 accords less favourable treatment in that there is an overall bias in the decision-making process due to the alleged fact:¹⁰⁵

that the outcome of the application is to be determined through a process, that is, the Committee of EC Member State representatives, in which:

- there is no representative or advocate for the registration of an EC-defined GI for an imported product; and
- there is no requirement for procedural fairness, due process and/or transparency concerning that Committee's decision-making process.

220. First of all, this claim is based on a misunderstanding of the decision-making process under the Regulation. As the EC has already explained, the decision-maker under the Regulation is the

¹⁰⁴ L/595, adopted on 17 November 1956, 5S/102, 105-106, para. 13 (emphasis added).

¹⁰⁵ Australia's FWS, para. 177.

Commission, or exceptionally the Council.¹⁰⁶ The Committee merely assists the Commission, and may exceptionally achieve that a proposal is referred to the Council.

221. Secondly, as the EC has already argued, Australia's claim to a have representative on the regulatory committee is manifestly unfounded.¹⁰⁷

222. Finally, the Australian statement that there is "no requirement for procedural fairness, due process and/or transparency" concerning the decision-making process of the Committee is completely unsupported by fact.

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

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

224. As explained, it is unclear to the EC whether the complainants claim that the requirements imposed by Article 12a, in conjunction with Articles 4 and 10, of Regulation 2081/92 with respect to the registration of each specific geographical indication are as such incompatible with Article III:4 of the GATT. The EC has shown that those requirements do not provide less favourable treatment to imported like products and, therefore, are consistent with that provision.

225. In the event that the complainants were to claim that such requirements are inconsistent with Article III:4 of the GATT, and should the Panel find that they afford less favourable treatment to imported products, the EC submits in the alternative that such requirements would be justified under Article XX(d) of the GATT.

226. More specifically, the EC submits that the requirements at issue are necessary in order to ensure that only those products which conform to the definition of geographical indications contained in Article 2(2) of Regulation 2081/92, which is itself fully consistent with the GATT, benefit from the protection afforded to geographical indications by Regulation 2081/92.

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

227. The United States (but not Australia)¹⁰⁸ has claimed that Regulation 2081/92 is incompatible with the obligation to provide most-favoured-nation treatment under Article 4 TRIPS and Article I:1 GATT. The EC will discuss the United States claims under both provisions separately.

A. ARTICLE 4 TRIPS

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

- As among non-EC WTO Members, nationals from WTO Members that satisfy the EC's conditions of reciprocity and equivalency are accorded more favourable treatment than nationals from those WTO Members that do not;

¹⁰⁶ Above, para. 79.

¹⁰⁷ Above, para. 155.

¹⁰⁸ Australia has not made any claim in this respect, but has reserved the "right to pursue such a claim" in the event that the EC "is applying" or "begins to apply Community-wide protection to EC-defined GIs for foodstuffs and agricultural products from another WTO Member" (Australia's FWS, para. 65).

- under Regulation 2081/92, an EC Member State grants more favourable treatment to nationals from other EC Member States than it accords to nationals from non-EC WTO Members.

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

229. The United States has claimed that nationals from WTO Members that satisfy the EC's conditions of reciprocity and equivalency are accorded more favourable treatment than nationals from those WTO Members that do not.¹⁰⁹

230. This claim is unfounded for the following reasons:

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

(a) The EC does not apply a condition of reciprocity and equivalence for the registration of geographical indications from other WTO members

231. Article 4 TRIPS requires 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".

232. As the EC has already explained, it does not apply a condition of reciprocity and equivalence to the registration of geographical indications from other WTO Members.¹¹⁰ Accordingly, geographical indications relating to an area located in another WTO country can be registered under Regulation 2081/92 in accordance with Article 12a and 12b of Regulation 2081/92.

233. In contrast, the conditions of Article 12(1) and 12(3) are applicable for the registration of geographical indications from third countries which are not WTO Members. Moreover, it should be recalled that Article 4 TRIPS does not require that benefits are extended to third countries which are not WTO Members.

234. Accordingly, Regulation 2081/92 does not treat nationals of other WTO Members less favourable than those of other third countries.

¹⁰⁹ US FWS, para. 119.

¹¹⁰ Above para. 62 et seq.

- (b) The conditions for the registration of individual geographical indications from third countries are not discriminatory

235. As in respect of the claims regarding national treatment, the EC is not sure whether the United States also challenges the product-specific conditions for the registration of geographical indications from third countries.

236. However, if it does, such a claim would have to be regarded as unfounded. The conditions for the registration of individual geographical indications, and in particular the requirement of a product specification and the existence of inspection structures, do not discriminate on the basis of nationality or product origin. Moreover, they are examined for each product individually.

237. In this context, it is useful to recall the Panel report in *Canada – Autos*, which stated that most-favoured nation treatment does not exclude subjecting advantages to conditions, as long as these conditions are non-discriminatory:¹¹¹

In this respect, it appears to us that there is an important distinction to be made between, on the one hand, the issue of whether an advantage within the meaning of Article I:1 is subject to conditions, and on the other, whether an advantage, once it has been granted to the product of any country, is accorded "unconditionally" to the like product of other Members. An advantage can be granted subject to conditions without necessarily implying that it is not accorded "unconditionally" to the like product of other Members. More specifically, the fact that conditions attached to such an advantage are not related to the imported product itself does not necessarily imply that such conditions are discriminatory with respect to the origin of imported products. We therefore do not believe that, as argued by Japan, the word "unconditionally" in Article I:1 must be interpreted to mean that making an advantage conditional on criteria not related to the imported product itself is *per se* inconsistent with Article I:1, irrespective of whether and how such criteria relate to the origin of the imported products.

238. Accordingly, the application of the conditions for the registration of individual geographical indications from other WTO Members is not incompatible with most-favoured-nation principles.

- (c) Article 12 of Regulation 2081/92 does not grant any advantage, favour, privilege or immunity to any other country

239. Second, Article 12 of Regulation 2081/92 does not involve the granting of any advantage to a third country.¹¹²

240. Article 12(1) of Regulation 2081/92 provides the conditions under which the Regulation may apply to a third country which is not a WTO Member. In accordance with Article 12(3) of the Regulation, the Commission must examine whether the conditions in Article 12(1) are fulfilled. The conditions set out in Article 12(1) are the same for all third countries which fall under this provision. In the absence of a decision under Article 12(3) of the Regulation, Article 12 does not confer any advantage onto a third country.

¹¹¹ Panel Report, *Canada – Autos*, para. 10.24.

¹¹² The EC notes that Australia seems to share this view, since it reserves to make a claim in regard to most-favoured-nation treatment only in the event that the EC "is applying" or "begins to apply Community-wide protection to EC-defined GIs for foodstuffs and agricultural products from another WTO Member" (Australia's FWS, para. 65).

241. In support of its claim, the United States has referred to the GATT Panel Report in *Belgian Family Allowances*.¹¹³ However, this Panel report does not support the proposition of the United States. In this case, Belgium had in fact granted an exception from a certain levy to a number of third countries.¹¹⁴ This resembled the situation in *EEC – Imports of Beef from Canada*, where the Panel found as follows:¹¹⁵

The Panel further found that exports of like products of other origin than that of United States were in effect denied access to the EEC market considering that the only certifying agency authorized to certify the meat described in Article 1(1)(d), listed in Annex II of the Commission Regulation, was a United States agency mandated to certify only meat from the United States.

(b) The Panel further found that the mention "Beef graded USDA 'choice', or 'prime' automatically meets the definition above" could accord an advantage to products of United States' origin in so far as other like products were not mentioned in the same manner. The Panel found, however, that only the practical application of the Commission Regulation would make it possible to judge whether this mention in itself was inconsistent with Article I of the General Agreement.

4.3 The Panel concluded that Commission Regulation (EEC) No. 2972/79 and its Annex II, in their present form had the effect of preventing access of "like products" from other origin than the United States, thus being inconsistent with the most-favoured-nation principle in Article I of the General Agreement.

242. In both cases, it was the granting of concrete advantages to specific countries which led the Panels to find a violation of the most-favoured-nation principle. This is fundamentally different from the situation under Article 12 of Regulation 2081/92, which merely provides for the conditions under which Regulation 2081/92 may apply to geographical indications from third countries which are not WTO members.

243. The United States has also referred to a Joint Declaration of the European Community and Switzerland made on occasion of the signature of the Agreement between the European Community and Switzerland on Trade in Agricultural Products.¹¹⁶ This declaration reads in full as follows:¹¹⁷

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 liberalisation of trade in agricultural products and foodstuffs between the Parties. The incorporation of provisions relating thereto in the bilateral Agreement on trade in agricultural products is a necessary addition to Annex 7 to the Agreement on trade in wine-sector products, and in particular Title II thereof, which provides for the mutual protection of the names of such products, and to Annex 8 to the Agreement on the mutual recognition and protection of names of spirit drinks and aromatised wine-based drinks.

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

¹¹³ US FWS, para. 115.

¹¹⁴ Panel Report, *Belgian Family Allowances*, para. 3.

¹¹⁵ Panel Report, *EEC – Imports of Beef from Canada*, paras. 4.2–4.3.

¹¹⁶ US FWS, para. 119.

¹¹⁷ Exhibit US-6 (emphasis added).

PDOs and PGIs and the arrangements on controls. The incorporation of those provisions should take place on a date which is acceptable to both Parties, and not before Article 17 of Council Regulation (EEC) No 2081/92 has been fully applied as regards the Community as constituted at present. In the meantime, the Parties shall keep each other informed of their work in this area while taking legal constraints into account.

244. This declaration is merely a political declaration stating the intention of the parties to incorporate, at a later stage, provisions on the protection on geographical indications into the Agreement on Trade in Agricultural Products. No such provisions have so far been incorporated into the Agreement between the EC and Switzerland. This declaration is therefore irrelevant for the purposes of the present dispute.

245. Accordingly, Article 12 of Regulation 2081/92 does not grant any advantage, favour, privilege or immunity to any other country.

(d) The conditions for the registration of geographical indications do not depend on nationality

246. Finally, as the United States has recognised itself,¹¹⁸ Article 4 TRIPS establishes a most-favoured-nation obligation as regards the treatment of nationals, whereas Article I:1 GATT establishes a most-favoured-nation obligation with respect to products. As the EC has set out above, this difference between the TRIPS and the GATT is not accidental, but results from the different object and purpose of both agreements.¹¹⁹

247. Furthermore, as the EC has already set out with respect to the claims regarding national treatment under the TRIPS, whether a geographical indication can be registered under Regulation 2081/92 does not depend in any way on nationality.¹²⁰ In particular, Articles 12a and 12b govern the registration of geographical indications where the area to which the indication is related is located outside the EC, and this irrespective of the nationality of producers. This means that where a geographical indication from a third country is protected under the Regulation, this protection also extends to producers which are nationals of other third countries.

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

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

249. The United States has claimed that under Regulation 2081/92, an EC Member State grants more favourable treatment to nationals from other EC Member States than it accords to nationals from non-EC WTO Members.¹²¹

250. In the view of the EC, this argument must fail already because under Regulation 2081/92, geographical indications from third countries which are WTO Members are protected on the same terms as geographical indications from other Member States.¹²²

¹¹⁸ US FWS, para. 108.

¹¹⁹ Above para. 104.

¹²⁰ Above para. 123 et seq.

¹²¹ US FWS, para. 121.

¹²² Above para. 134 et seq.

251. Secondly, as the EC has already set out, the conditions for the registration of geographical indications do not depend on nationality.¹²³ Accordingly, the EC is not discriminating between third-country nationals on the basis of nationality.

252. Finally, it should be noted that Article 4 TRIPS requires WTO Members to extend to other Members the advantages, favours, privileges or immunities that they grant to "the nationals of any other country". However, through Regulation 2081/92, the EC is not granting an advantage to the national of "any other country".

253. Regulation 2081/92 is a measure which the EC has adopted on the basis of its own competences, and which applies throughout the EC. In accordance with Articles IX:1 and XIV:1 of the WTO Agreement, the European Community is an original member of the WTO. Measures with which the EC harmonises the law inside the European Community can therefore not be regarded as granting advantages to "other countries".

254. The fact that the EC Member States are also Members to the WTO¹²⁴ is irrelevant in this respect. The measure at issue is a Regulation adopted by the EC. It is not a measure of the Member States. Accordingly, it cannot be said that through Regulation 2081/92, Member States are granting one another "advantages".

255. Finally, since the measure at issue is an EC measure, the subject matter of the present dispute falls within the exclusive competence of the EC, and not of the Member States. The United States has accepted this by correctly bringing the present dispute settlement proceedings against the EC. It can therefore not now raise a claim assuming a violation of most-favoured-nation obligations on the part of the EC Member States.

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

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

257. The United States has argued that by subjecting the registration of third-country geographical indications to conditions of reciprocity and equivalence, the EC measure is inconsistent with the most-favoured-nation obligation under Article I:1 GATT.¹²⁵

1. Article I:1 GATT is not violated

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

259. Article I:1 GATT requires in relevant part 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 product originating in or destined for the territories of all other contracting parties".

260. As the EC has already set out with respect to Article 4 TRIPS, Regulation 2081/92 does not involve any less favourable treatment of WTO members compared to other third countries.

¹²³ Above, para. 137.

¹²⁴ US FWS para. 121.

¹²⁵ US FWS para. 127 et seq.

261. First of all, the EC does not apply a condition of reciprocity and equivalence for the registration of geographical indications from other WTO members, which can therefore be registered as geographical indications under the conditions set out in Regulation 2081/92.¹²⁶

262. Secondly, as the EC has also explained, the conditions for the registration of geographical indications from third countries are not discriminatory.¹²⁷

263. Finally, as the EC has also set out, Article 12 of Regulation 2081/92 does not grant any advantage, favour, privilege or immunity, but merely sets out the conditions under which geographical indications from third countries other than WTO members may be registered.¹²⁸

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

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

265. It is unclear to the EC whether the complainants claim that the requirements imposed by Article 12a, in conjunction with Articles 4 and 10, of Regulation 2081/92 with respect to the registration of each specific geographical indication are as such incompatible with Article I:1 of the GATT. As shown above, the EC considers that those requirements are fully consistent with Article I:1 of the GATT.

266. In the event that the complainants were to claim that such requirements are inconsistent with Article I:1 of the GATT, and should the Panel find that they are inconsistent with that provision, the EC submits in the alternative that such requirements would be justified under Article XX(d) of the GATT, for the same reasons already advanced in connection with the complainants' claim under Article III:4 of the GATT.

VI. REGULATION 2081/92 DOES NOT DIMINISH THE LEGAL PROTECTION OF TRADEMARKS

267. The complainants have raised a number of claims to the effect that Regulation 2081/92 diminishes the legal protection of trademarks. The EC will show hereunder that these claims are unfounded.

A. ARTICLE 16.1 OF THE TRIPS AGREEMENT

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

268. The complainants claim that Article 14(2) of Regulation 2081/92 is inconsistent with Article 16.1 of the TRIPS Agreement in that it allows the "co-existence" of a registered geographical indication and a prior similar or identical registered trademark for similar or identical goods, which results in a likelihood of confusion.¹²⁹

269. As will be shown in this section, this claim is unfounded for several reasons.

¹²⁶ Above para. 231 et seq.

¹²⁷ Above para. 235 et seq.

¹²⁸ Above para. 239 et seq.

¹²⁹ Australia's FWS, paras. 100-107. US FWS, paras. 130-170.

270. First, this claim is based on a misunderstanding of the relevant provisions of Regulation 2081/92. Contrary to the complainants' assumption, Article 14(3) of Regulation 2081/92 prevents the registration of geographical indications that would result in a likelihood of confusion with an earlier trademark. Thus, as a matter of fact, the situation alleged by the complainants does not even arise.

271. Second, the exclusivity conferred upon the trademark owners by Article 16.1 of the TRIPS Agreement is without prejudice to the protection that Members are entitled to accord to geographical indications in accordance with Part II, Section 3, of the TRIPS Agreement. The boundary between a Member's right to protect geographical indications and its obligation to protect trademarks is defined by Article 24.5 of the TRIPS, which provides for the co-existence of geographical indications and earlier trademarks. Article 14(2) of Regulation 2081/92 is fully consistent with Article 24.5.

272. Third, irrespective of whether the co-existence of geographical indications and earlier trademarks is permitted by Article 24.5, the EC is required to maintain such co-existence by virtue of Article 24.3 of the TRIPS Agreement, a "stand-still" provision that prohibits Members from diminishing the level of protection of GIs that existed at the time of entry into force of the WTO Agreement.

273. Finally, even assuming that Article 14(2) of Regulation 2081/92 were *prima facie* inconsistent with Article 16.1, it would be justified as a "limited exception" to the trademark owner's exclusive rights under Article 17 of the TRIPS Agreement.

(a) Regulation 2081/92 does not allow the registration of confusing trademarks

274. The exclusivity conferred by Article 16.1 of the TRIPS Agreement is not absolute. That provision does not grant to the owner of a registered trademark a right to prevent any possible use of the same or a similar sign, but only its use for identical or similar goods, "where such use would result in a likelihood of confusion".

275. As will be shown below, because of the criteria of registrability applied under EC trademark law, the risk of confusion between trademarks and geographical indications is very limited *a priori*. To the extent that those criteria do not preclude such possibility, the problem is addressed adequately by Article 14(3) of Regulation 2081/92, which provides that

A designation of origin or geographical indication shall not be registered where, in the light of a trademark'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.

276. The complainants have erroneously characterized Article 14(3) as a "narrow exception".¹³⁰ As explained below, the terms of Article 14(3), if properly interpreted, are sufficient to prevent the registration of any confusing geographical indications.

277. According to their own interpretation of Article 16.1 of the TRIPS Agreement, in order to establish a violation of that provision, the complainants would need to prove that Regulation 2081/92 mandates necessarily the registration of confusing geographical indications. The complainants have failed to do so. Indeed, the complainants have not even shown that the actual application of Regulation 2081/92 has resulted occasionally in the registration of confusing geographical indications. As of the date of establishment of this Panel, the EC authorities had registered more than 600 geographical indications. The complainants have not alleged, let alone proved, that any of those

¹³⁰ US FWS, para. 158.

geographical indications has resulted in a likelihood of confusion with any prior registered trademark. The complainant's claim is purely theoretical and, as will be shown below, unfounded.

(i) *Registrability of geographical names as trademarks*

278. The purpose of a trademark is to distinguish the goods or services of one undertaking from those of other undertakings. A sign that cannot fulfil this function, i.e. a sign which is not "distinctive", cannot be registered as a trademark. Thus, Article 15.1 of the TRIPS Agreement provides that

Any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, shall be capable of constituting a trademark.¹³¹

279. Geographical names are primarily "non-distinctive" and, as such, non apt for registration as trademarks.¹³² For example, the name "Australia", if used as a trademark by an undertaking, would not allow to distinguish the goods of that undertaking from those of any other Australian undertaking selling the same or similar products. Moreover, the use of geographical names as trademarks may be deceptive in so far as they are used for goods which do not originate in the location designated by that name. For example, the name "Australia", if used as a trademark for US goods, could mislead the consumers as regards the origin of the goods.

280. For the above reasons, the registration of geographical names as trademarks is subject to restrictions in all countries.¹³³ Broadly speaking, it is permitted only in two situations: first, where consumers would not expect the goods to be produced in that place; and, second, where the name has become distinctive through use. In other words, when, as a result of its continued use by an undertaking, the geographical name acquires a "secondary meaning", so that consumers do not associate it with a geographical location but instead with the undertaking in question.¹³⁴ This possibility is expressly envisaged in the second sentence of Article 15.1 of the TRIPS Agreement, which provides that

¹³¹ Similarly, Article 6quinquies B (2) of the Paris Convention (1967) provides that the registration of trademarks may be denied "when they are devoid of any distinctive character".

¹³² Article 6quinquies B of the Paris Convention (1967) provides that trademarks may be denied registration when

2. ... they consist exclusively of signs or indications which may serve, in trade, to designate the ... place of origin;

3. when they are ... of such a nature as to deceive the public.

¹³³ Section 2 of the US Lanham Act prohibits the registration of trademarks that, when used in connection with the goods of the applicant, are "primarily geographically descriptive", unless they have become distinctive through use, or "primarily geographically deceptively misdescriptive" (15 USC. 1052 (e) and (f)). (Exhibit EC-6).

Similarly, Australia's Trade Marks Act of 1995 prohibits the registration of trademarks that are not "inherently adapted to distinguish goods or services" unless they have become distinctive through use. Trademarks that are not "inherently adapted to distinguish goods or services" include "trade marks that consist wholly of a sign that is ordinarily used to indicate: (a) the ... geographical origin..." (Section 41(6) Note 1 (a)) (Exhibit EC-7)

¹³⁴ A well known example of trademark consisting of a geographical name which has become distinctive through use in some countries is "Budweiser". After much litigation in the United States, it was deemed to have acquired secondary meaning in that country, so that it could be registered as a trademark. See Albrecht Conrad, "The Protection of Geographical Indications in the TRIPS Agreement", 86 *The Trademark Reporter*, p.43.

Where signs are not inherently capable of distinguishing the relevant goods or services, Members may make registrability depend on distinctiveness acquired through use.

281. Like in other jurisdictions, in the EC the registration of geographical names as trademarks is permitted only exceptionally. Article 3.1 of the Trademarks Directive provides that the following shall not be registered or, if registered, shall be liable to be declared invalid:

- (b) trade marks which are devoid of any distinctive character;
- (c) trade marks which consist exclusively of signs or indications which may serve, in trade, to designate ... the geographical origin;
- (g) trade marks which are of such nature as to deceive the public, for instance as to the ... geographical origin of the goods...¹³⁵

282. The European Court of Justice has held that:

under Article 3(1)(c) of the Directive, the competent authority must assess whether a geographical name in respect of which application for registration as a trade mark is made designates a place which is currently associated in the mind of the relevant class of persons with the category of goods concerned, or whether it is reasonable to assume that such an association may be established in the future.¹³⁶

283. By way of exception to letters (b) and (c) of Article 3.1 (but not to letter (g)), Article 3.3 of the Trademarks Directive provides that geographical names that are primarily non-distinctive may be registered where they have become distinctive through use:

A trademark shall not be refused registration or be declared invalid in accordance with paragraph 1 (b), (c) or (d) if, before the date of application for registration and following the use which has been made of it, it has acquired a distinctive character.¹³⁷

¹³⁵ Similarly, Article 7(1) of the Community Trademark Regulation provides that:

The following shall not be registered:

- (b) trade marks which are devoid of any distinctive character;
- (c) trademarks which consist exclusively of signs or indications which may serve, in trade, to designate the...geographical origin of the goods or service;
- ...
- (g) trade marks which are of such a nature as to deceive the public, for instance as to the ... geographical origin of the goods or service;

¹³⁶ Judgement of the European Court of Justice of 4 May 1999, C-108/97 and C-109/97, *Chiemsee*, ECR [1999] I-2779, para. 37. (Exhibit EC-8).

¹³⁷ Similarly, Article 7 (3) of the Community Trademark Regulation provides that

Paragraph 1(b), (c) and (d) shall not apply if the trade mark has become distinctive in relation to the goods or services for which registration is required in consequence of the use which has been made of it.

284. In sum, under EC law, the registration of a geographical name as a trademark is possible only in the following circumstances:

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

285. In principle, any geographical name which qualifies, or may reasonably qualify in the future, as a "designation of origin" or a "geographical indication" within the meaning of Article 2(2) of Regulation 2081/92, will not fall within the first situation. Thus, it may be concluded that, in practice, a geographical indication, or a geographical name with the potential to become a geographical indication, may not be validly registered as a trademark unless it has become distinctive through use.

(ii) *Article 14(3) of Regulation 2081/92*

286. The complainants' claim is based on an unwarrantedly narrow interpretation of Article 14(3) of Regulation 2081/92. When properly interpreted, that provision allows the registering authorities to refuse the registration of any confusing geographical indications.

287. Australia does not even attempt to interpret the terms of Article 14(3). For its part, the United States declares it to be a "narrow exception"¹³⁸ after a cursory analysis. Moreover, the United States reaches that conclusion by reading into Article 14(3) additional requirements which are not stated in that provision. Thus, according to the United States, this provision would exclude the registration of a geographical indication "only where the trademark has been used for *a long time* and has a *considerable* reputation or renown".¹³⁹ Neither of those two qualifications is provided in Article 14(3).

288. Article 14(3) has been applied only once by the EC authorities since Regulation 2081/92 came into force.¹⁴⁰ It has never been interpreted by the European Court Justice or by the courts of the Member States. This confirms that, as explained above, the criteria for the registrability of trademarks ensure that the potential for conflicts between trademarks and geographical indications is indeed very limited.

289. The EC Commission considers that the criteria listed in Article 14(3) are not limitative. The registering authority may take into account also other relevant criteria in order to assess whether the registration of the geographical indication will result in a likelihood of confusion. For example, it is obvious that the degree of similarity between the signs or between the goods concerned is always relevant in assessing the likelihood of confusion between two signs for goods. Nevertheless, given that geographical names are primarily non-distinctive as trademarks, the two criteria specified in Article 14(3) will often be of particular relevance in practice. It is for that reason, and not because they are the only relevant criteria, that the registering authorities are directed expressly to consider those two criteria.

¹³⁸ US FWS, para. 158.

¹³⁹ Ibid.

¹⁴⁰ In that case, the EC Council concluded that the registration of the GI "Bayerisches Bier" was not likely to lead to confusion with the existing trademarks "Bavaria" and "Hoker Bajer"; Council Regulation (EC) No 1347, of 28 June 2001, OJ (2001) L 182. (Exhibit EC-9).

290. It is well-established that the more distinctive the trademark the greater the likelihood that consumers will confuse another sign with that trademark¹⁴¹. As explained above, geographical names are primarily non-distinctive. Thus, the degree of distinctiveness and, consequently, the likelihood that it may be confused with a geographical indication will depend to a large extent on the degree of distinctiveness which the trademark has acquired through use. In turn, the basic criteria to measure such acquired distinctiveness are the length of time during which the trademark has been used and the extent of the reputation or renown acquired as a result of such use.

291. Consumers are unlikely to confuse a geographical indication with a trademark that has never been used and/or has no reputation or renown simply because the signs and/or the goods concerned are similar. In fact, as explained above, a trademark consisting of a geographical indication, which has never been used or which has no reputation or renown, should not have been registered in the first place because it would lack the required distinctiveness.

(iii) *Provisional conclusion*

292. In order to substantiate their claim that Article 14(2) of Regulation 2081/92 is inconsistent with Article 16.1 of the TRIPS Agreement, 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 authorities to refuse the registration of confusing geographical indications, or, at the very least, that, in practice, Article 14(3) is being interpreted and applied in a manner which results in the registration of confusing geographical indications. The complainants have proved neither.

293. Therefore, the Panel should conclude that, as a matter of fact, the complainants' claim is unfounded even on their own interpretation of Article 16.1 of the TRIPS Agreement. In any event, as discussed below, that interpretation is incorrect.

(b) Article 24.5 envisages the co-existence of GIs and earlier trademarks

294. The complainants' claim rests on a misconception of the relationship between trademarks and geographical indications, as well as between Article 16.1 and Part II, Section 3, of the TRIPS Agreement. The TRIPS Agreement recognises geographical indications as intellectual property rights, on the same level as trademarks. It confers no superiority to trademarks over geographical indications. Nor are the provisions of Part II, Section 3, "exceptions" to Article 16.1. There is no hierarchy between them.

295. In an attempt to establish the superiority of trademarks over geographical indications, the complainants emphasise that exclusivity is an essential feature of trademarks. It is, of course, correct that trademarks are exclusive rights. But from this it does not follow that trademarks must prevail over geographical indications. Geographical indications are also exclusive rights, because their basic purpose, like that of trademarks, is to distinguish the goods from a certain source. The fact that geographical indications are collective rights does not render their exclusivity less indispensable. If any producer of cheese could use the term "Roquefort", the geographical indication "Roquefort" could not fulfil its distinctive function and would be deprived of its economic value.

296. As explained above, the criteria for the registrability of trademarks limit *a priori* the possibility of conflicts between geographical indications and trademarks. However, to the extent that geographical indications may exceptionally be validly registered as trademarks, there may arise

¹⁴¹ Judgement of the European Court of Justice of 11 November 1997, C – 251/95, *Sabel*, para. 24. (Exhibit EC-10).

conflicts between the exclusivity of those two types of intellectual property rights. The question before the Panel is, therefore, how to resolve those conflicts.

297. Article 16.1 does not address this issue. More specifically, and contrary to the complainants' claims, Article 16.1 contains no provision to the effect that trademarks must prevail over later geographical indications. The complainants argue that the right conferred by Article 16.1 to the trademark owner in order to prevent the confusing use of identical or similar "signs" for identical or similar goods applies also with respect to later geographical indications, because geographical indications are "signs". True, geographical indications consist of a special type of "sign": words or other signs with a geographical connotation. But they are more than mere "signs". They are a distinct intellectual property right, with a specific subject matter and a specific function, different from those of trademarks, which Members are entitled to protect under their domestic laws and which, indeed, they are required to protect under Part II, Section 3, of the TRIPS Agreement.

298. The boundary between geographical indications and trademarks is not defined in Article 16.1, but instead in Article 24.5 of the TRIPS Agreement. Therefore, the WTO consistency of Article 14(2) of Regulation 2081/92 must be determined in relation to that provision, and not with respect to Article 16.1.

299. Article 24.5 provides that

Where a trademark has been applied for or registered in good faith, or where rights to a trademark have been acquired through use in good faith either:

- (a) before the date of application of these provisions in that member as defined in Part VI; or
- (b) before the geographical indication is protected in its country of origin;

measures adopted to implement this Section shall not prejudice eligibility for or the validity of the registration of a trademark, or the right to use a trademark, on the basis that such trademark is identical with, or similar to, a geographical indication.

300. Article 24.5 must be read together with Articles 22.3¹⁴² and 23.2¹⁴³, which require that the registration of trademarks must be refused or invalidated in certain situations. Those two provisions, however, do not exhaust the protection afforded to geographical indications vis-à-vis trademarks. Right holders of geographical indications can invoke also Articles 22.2¹⁴⁴ and 23.1¹⁴⁵ in order to

¹⁴² Article 22.3 of the TRIPS Agreement provides that:

A Member shall, *ex officio* if its legislation so permits, or at the request of an interested party, refuse or invalidate the registration of a trademark 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 nature as to mislead the public as to the true place of origin.

¹⁴³ Article 23.2 of the TRIPS Agreement provides that:

The registration of a trademark for wines which contains or consists of a geographical indication identifying wines or for spirits which contains or consists of a geographical indication identifying spirits shall be refused or invalidated, *ex officio* if a Member's legislation so permits or at the request of an interested party, with respect to such wines or spirits not having this origin.

¹⁴⁴ Article 22.2 of the TRIPS Agreement provides that:

prevent the use of a trademark (whether registered or non-registered) in the circumstances described in those provisions. In addition, in implementing Part II, Section 3, Members are entitled to provide more extensive protection for geographical indications, in accordance with Article 1.1 of the TRIPS Agreement.

301. Article 24.5 has two implications:

- with respect to grandfathered trademarks (or applications for trademarks), Members are not allowed to *prejudice* the validity of the registration (or the eligibility of the application) or the "right to use the trademark", but they may *prejudice* other rights of the trademark owner, including in particular the right to prevent others from using the sign of which the trademark consists.
- with respect to other trademarks (or applications for trademarks), Members may prejudice *any* right.

302. Regulation 2081/92 implements Part II, Section 3, of the TRIPS Agreement. The rule of conflict between geographical indications and trademarks defined in Article 25.4 has been transposed by Articles 14(1) and 14(2) of Regulation 2081/92. Article 14(1) maintains the eligibility of the applications and the validity of the registrations "grandfathered" by Article 24.5. In turn, Article 14(2) preserves the right of the owners of "grandfathered" trademarks to continue to use their trademarks concurrently with the geographical indications.

303. Article 14(2) of Regulation 2081/92 is fully consistent with Article 24.5, which provides that Members shall not prejudice "the right to use a trademark". That phrase alludes to the owner's right to use the sign of which the trademark consists, which is one of the two basic rights of the trademark owner, together with the right to prevent other persons from using that sign.¹⁴⁶ If the drafters had meant to exclude the co-existence of trademarks and geographical indications, they would have provided instead that Members shall not prejudice "the *exclusive* right to use a trademark".

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

¹⁴⁵ Article 23.1 of the TRIPS Agreement provides that:

Each Member shall provide the legal means for interested parties to prevent use of a geographical indication identifying wines for wines not originating in the place indicated by the geographical indication in question or identifying spirits for spirits not originating in the place indicated by the geographical indication in question, even where the true origin of the goods is indicated or the geographical indication is used in translation or accompanied by expressions such as "kind", "type", "style", "imitation" or the like. [footnote omitted]

¹⁴⁶ WIPO's "Introduction to Intellectual Property, Theory and Practice" (Kluwer, 1997), aptly describes the rights arising from trademark registration as follows (para. 9.147):

The registered owner has the exclusive right to use the trademark. This short definition of the specific subject matter of trademark right encompasses two things: the right to use the trademark and the right to exclude others from using it.

304. Furthermore, if Article 24.5 did not allow co-existence, the protection of geographical indications provided under Part II, Section 3, would become pointless whenever there is a grandfathered trademark. Indeed, why protect a geographical indication against illegitimate uses by third parties if the legitimate users cannot use it themselves? Yet, Article 24.5 assumes that Members will continue to protect geographical indications ("...measures adopted to implement this Section shall not prejudice..."), notwithstanding the existence of "grandfathered" trademarks. If the drafters' intention had been to prohibit the use of geographical indications concurrently with grandfathered trademarks, they would have excluded completely the applicability of Part II, Section 3, with respect to the geographical indications concerned, rather than providing that the implementation of that Section shall not prejudice "the right to use the trademark".

305. Australia has suggested¹⁴⁷ that the phrase "the right to use a trademark" alludes exclusively to the trademark rights acquired through use, to which reference is made in the introductory phrase of Article 24.5. However, if so, it would have been more logical to say that the measures taken to implement Sections 3 "shall not prejudice ... the trademark rights acquired through use", rather than that they "shall not prejudice ... the right to use a trademark". Australia confuses the mode of acquisition of the trademark rights (use or registration) with one of the basic rights of the trademark owner (irrespective of whether the trademark rights have been acquired through use or registration), i.e. the right to use the trademark.

306. Moreover, trademark rights acquired through use are also, as a general rule, exclusive within the boundaries of the area in which they have been used. Article 16.1 of the TRIPS Agreement recognises expressly the right of Members to make available trademark rights, including exclusive rights, on the basis of use. In view of that, there is no good reason why Article 24.5 should provide for the co-existence of geographical indications and non-registered trademarks, but prohibit the co-existence of geographical indications and registered trademarks, which would be the anomalous consequence of Australia's interpretation.

307. Co-existence may not be a perfect solution to resolve conflicts between different types of intellectual property rights. But then there is no such perfect solution. Co-existence is preferable to a rigid application of the first-in-time rule, which is what the complainants are proposing. That rule is generally appropriate to resolve conflicts between trademarks, but not between trademarks and geographical indications, because they are distinct intellectual property rights, each with its own characteristics. In particular, the following differences make inappropriate the strict application of that principle to conflicts between geographical indications and trademarks:

- trademarks are much easier to create than geographical indications. Trademarks can be acquired almost instantaneously, simply by an "intent to use" or by the mere lodging of an application with a registration system. In contrast, the creation of a geographical indication requires to establish first a "link" between the name and certain product characteristics, which may require years. Indeed, as is often the case in the EC, such link is the result of centuries of tradition. Thus, the first-in-time principle would provide an unfair advantage to trademark owners;
- trademarks are arbitrary, with the consequence that there is a virtually unlimited choice of trademarks. By choosing deliberately a geographical name as a trademark, an undertaking accepts the risk that the same sign may be used concurrently as a geographical indication. In contrast, geographical indications are "necessary" in the sense that the range of names used to designate a certain geographical is limited *a priori* by well established usage. Right holders of geographical indications may not

¹⁴⁷ Australia's FWS, para. 74.

easily change the name given by the public to the geographical area where they are located. For that reason, it is much more difficult to find an alternative geographical indication than it is to find an alternative trademark;

- geographical indications serve to inform consumers that the product originates in a certain area and has certain characteristics linked to that origin. Trademarks only guarantee the identity of the undertaking that markets the product. Thus, in addition to having a commercial function, geographical indications serve a public interest, which deserves additional protection.
- geographical indications are the common patrimony of all the producers of a certain area, and ultimately of the entire population of that area, which may potentially qualify for the right to use the geographical indication. It would be unfair to deprive that population from the use of a geographical indication for the exclusive benefit of an individual trademark owner, who may or may not have contributed to the development of the geographical indication, simply because he happened to register that name first as a trademark.

308. The co-existence of intellectual property rights is by no means an unusual solution for resolving conflicts between intellectual property rights, including between trademarks. Indeed, several other provisions of the TRIPS Agreement provide for co-existence:

- Article 23.3 provides for co-existence between homonymous geographical indications for wines;¹⁴⁸
- Article 24.4 permits, under certain circumstances, that the nationals or residents of one Member continue to use a geographical indication of another Member in co-existence with the users of that Member;¹⁴⁹
- Article 16.1 itself provides that the exclusivity of registered trademarks "shall not prejudice any existing prior rights".

309. The co-existence of different types of intellectual property rights, and in particular between geographical indications and trademarks, is provided also in the law of other Members.¹⁵⁰

¹⁴⁸ Article 23.3 of the TRIPS Agreement provides that:

In the case of homonymous geographical indications for wines, protection shall be accorded to each indication, subject to the provisions of paragraph 4 of Article 22. Each Member shall determine the practical conditions under which the homonymous indications in questions 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.

¹⁴⁹ Article 24.4 of the TRIPS Agreement provides that:

Nothing in this section shall require a Member to prevent continued and similar use of a particular geographical indication of another Member identifying wines or spirits in connection with goods or services by any of its nationals or domiciliaries who have used that geographical indication in a continuous manner with regard to the same or related goods or services in the territory of that Member either (a) for at least 10 years preceding 15 April 1994 or (b) in good faith preceding that date.

¹⁵⁰ See "Review under Article 24.2 of the Application of the Provisions of the Section of the TRIPS Agreement on Geographical Indications – Summary of the Responses to the Checklist of Questions", IP/C/W/253/Rev.1, 24 November 2003, paras. 149-150.

310. Remarkably, the United States itself provides for the co-existence of geographical indications and earlier trademarks with respect to wines. Specifically, the regulations of the US Alcohol and Tobacco Tax and Trade Board (the "TTB") provide that a brand name of viticultural significance (including the name of US approved viticultural areas) may not be used unless 1) the wine meets the appellation of origin requirements for the geographical area concerned; or 2) the brand name is used in accordance with a "certificate of label approval" issued prior to 1 July 1986.¹⁵¹

311. In other words, under the TTB Regulations, the existence of a registered trademark including a geographical name (e.g. "Rutherford Vintners") does not prevent the subsequent recognition and use of that name as a geographical indication ("Rutherford"), which is what would be required by the interpretation of Article 16.1 of the TRIPS Agreement put forward by the United States in this dispute. Quite to the contrary, the use of the earlier trademark is prohibited, subject to a very limited temporal exception, with a narrower scope than that of Article 24.5 of the TRIPS Agreement. Furthermore, grandfathered trademarks are allowed to co-exist with the later geographical indications, provided only that they are used in accordance with special labelling requirements. The United States should explain why this solution to the conflicts between geographical indications and earlier trademarks, which is undoubtedly a sensible one, must be deemed compatible with the TRIPS Agreement when US geographical indications for wines are at stake, but not in the case of EC geographical indications for other products.¹⁵²

(c) The EC is required to maintain the co-existence of geographical indications and earlier trademarks by Article 24.3

312. Irrespective of whether the co-existence of geographical indications and earlier trademarks is consistent with Article 24.5, the EC is required to maintain such co-existence by virtue of Article 24.3 of the TRIPS Agreement, which provides that

In implementing this Section, a Member shall not diminish the protection of geographical indications that existed in that Member immediately prior to the date of entry into force of the WTO Agreement.

313. Article 24.3 is in the nature of a "stand still" obligation. It requires Members to maintain at least the level of protection of geographical indications that they applied immediately prior to the entry into force of the WTO Agreement, where such level is higher than the level of protection required by Part II, Section 3, of the TRIPS Agreement.¹⁵³

314. Regulation 2081/92 was adopted on 14 July 1992 and entered into force on 14 July 1993. As of 31 December 1995, i.e. the day before the entry into force of the WTO Agreement, Article 14(2) of Regulation 2081/92 provided for the co-existence of geographical indications and earlier trademarks. If the EC were to allow now the owners of prior registered trademarks to prevent the use of later geographical indications, as demanded by the complainants, it would be diminishing the protection of geographical indications, contrary to the obligation imposed upon the EC by Article 23.4

¹⁵¹ 27 CFR 4.39 (i). (Exhibit EC-11).

¹⁵² The lack of consistency appears to be even more blatant in the case of Australia. The Wine and Brandy Corporation Act prohibits the use of a registered GI for wine which does not originate in the area covered by the GI. No exception is provided with respect to prior trademarks. Australia can hardly complain about the fact that the EC allows the co-existence of GIs with earlier trademarks grandfathered under Article 24.5, when it prohibits the use of those trademarks, unless the wine originates in the area designated by the GI. (Sections 40 D-F). (Exhibit EC -12).

¹⁵³ See e.g. Daniel Gervais, *The TRIPS Agreement, Drafting History and Analysis*, (Sweet & Maxwell, 1998), p. 135.

- (d) In any event, the co-existence of geographical indications and earlier trademarks would be justified under Article 17 of the TRIPS Agreement

315. Assuming that 14(3) of Regulation 2081/92 did not prevent the registration of confusing geographical indications, and assuming further that the co-existence of geographical indications and earlier registered trademarks were neither consistent with Article 24.5 of the TRIPS Agreement nor, in the case of the EC, required by Article 24.3 of the TRIPS Agreement, the EC submits in the alternative that such co-existence would be justified under Article 17 of the TRIPS Agreement.

316. Article 17 states that:

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

317. Article 14(2) is a "limited exception" because it allows the concurrent use of the geographical name registered as a trademark only by those producers who are established in the geographical area designated by the geographical indication and who, furthermore, comply with the relevant product specifications and other requirements for using the geographical indication. The trademark owner retains the exclusive right to prevent the use of that name by any other persons.

318. Moreover, Article 17 mentions expressly as an example of "limited exception" the "fair use of descriptive terms". Geographical indications are "descriptive terms".¹⁵⁴ The use of a geographical indication in order to indicate the true origin of the goods and the characteristic associated to that origin is certainly a "fair" use of that descriptive term.

319. Finally, the legitimate interests of the trademark owner and of third parties are "taken into account" in several ways:

- even if Article 14(3) of Regulation 2081/92 did not avoid completely the registration of confusing trademarks, it would at the very least prevent the most significant cases of confusion, in the interest of both the trademark owner and the consumers;
- moreover, the concurrent use of the geographical indications is subject to the generally applicable EC legislation on labelling and misleading advertising, as well as to the laws of the Member States on unfair competition;
- finally, geographical indications serve to inform consumers about the origin of the products and their characteristics and, therefore, "take account of the interests of third parties" also in that way.

¹⁵⁴ The trademark laws of both the United States and Australia provide that the use of a term registered as a trademark to indicate the origin of goods does not constitute an infringement of the trademark.

Section 33(b)(4) of the US Lanham Act (15 USC 115 (b) (4))(Exhibit EC-6) provides the following defence against a claim of infringement of the exclusive right of a trademark owner:

That the use of a term ... charged to be an infringement is a use, otherwise than as mark ... of a term ... which is descriptive and used fairly and in good faith only to describe the goods ... of such party, or their geographical origin.

In turn, Section 122(1) (b)(i) of Australia's 1995 Trade Mark Law provides that a person does not infringe a registered trade mark when "the person uses a sign in good faith to indicate the ... geographical origin ... of goods." (Exhibit EC-7).

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

320. Australia claims that Regulation 2081/1992 is inconsistent with Article 16.1 of the TRIPS Agreement because it does not "implement" the presumption of a likelihood of confusion in the case of use of an identical sign for identical goods.¹⁵⁵

321. The EC's response to Claim 19 disposes also of this claim. However, for the sake of completeness, the EC would like to add the following comments.

322. First, contrary to what Australia appears to suggest, Members are not required to reproduce explicitly the presumption of Article 16.1 in their domestic law. It may be sufficient if their domestic law leaves to the registering authority, or to the courts, the necessary discretion to apply the presumption and, in practice, the presumption is complied with.¹⁵⁶

323. Second, it is extremely unlikely that the situation described by Australia will ever present itself in practice. In the first place, as explained above, the criteria for the registrability of trademarks limit *a priori* the possibility to register as a trademark a name which is identical to that of a geographical indication or of a potential geographical indication. Moreover, the definition of "geographical indication" in Regulation 2081/92, together with the requirement to comply with certain product specifications, would normally have the consequence that the goods covered by a registered geographical indication are not identical to other goods. In any event, should the situation arise, Article 14(3) would allow the registering authority to refuse the registration of a proposed geographical indication, if necessary to implement the presumption.

324. Finally, Australia's complaint is, once again, purely theoretical. Australia has not alleged, let alone proved that any of the more than 600 registered geographical indications is identical to any earlier registered trademark used for identical goods. The EC considers that none of the registered geographical indications falls within that situation.

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

325. Australia (but not the United States) claims that Article 7(4) of Regulation 2081/92 is inconsistent with Article 16.1 of the TRIPS Agreement¹⁵⁷ because it does not allow trademark owners to object to the registration of a proposed geographical indication where there is likelihood of confusion, but only where the proposed geographical indication would "jeopardize the existence of an entirely or partly identical trademark."

326. This claim is unfounded, both as a matter of law, because Article 16.1 does not confer a right of objection, and as a matter of fact, because Article 7(4) of Regulation 2081/92 does not limit the grounds of objection in the manner alleged by Australia.

¹⁵⁵ Australia's FWS, para. 93.

¹⁵⁶ Thus, for example, the EC understands that the US trademark laws do not restate the presumption, but the US authorities are satisfied that the criteria usually applied in order to appreciate the likelihood of confusion between trademarks are sufficient to meet the presumption.

¹⁵⁷ Australia's FWS, paras. 88-92.

(a) Article 16.1 of the TRIPS Agreement does not confer a right of objection

327. Article 16.1 does not grant to the trademark owners a right to formulate objections in the framework of a procedure for the acquisition of another intellectual property right, whether it is a trademark or a different right such as geographical indication.

328. Article 16.1 regulates exclusively the substantive content of the rights conferred to the trademark owners. It does not address the procedural means to exercise those rights, which are regulated elsewhere in the TRIPS Agreement. Thus, the possibility to raise objections to the registration of another intellectual property right is addressed in Article 62.4, with respect to all intellectual property rights in general, and in Article 15.5, with respect specifically to trademarks.

329. Article 62.4, which is included in Part IV of the TRIPS Agreement, dealing specifically with the "Acquisition and Maintenance of Intellectual Property Rights and Related *Inter Partes* Procedures", provides that

Procedures concerning the acquisition or maintenance of intellectual property rights and, where a Member's law provides for such procedures, administrative revocation and *inter partes* procedures such as opposition, revocation and cancellation, shall be governed by the general principles set out in paragraphs 2 and 3 of Article 41.¹⁵⁸

330. In turn, Article 15.5 provides that Members "may afford an opportunity for the registration of a trademark to be opposed".¹⁵⁹

331. The above quoted provisions make it clear that Members are not required to grant a right of opposition to the trademark owners with respect to the acquisition of another intellectual property right.

332. Moreover, contrary to Australia's assertions, the right to formulate objections is not necessary to "exercise" effectively the substantive right conferred by Article 16, if final registration decisions are subject to judicial review, as they should under Article 62.5 of the TRIPS Agreement.

333. Since Article 16.1 does not confer to the trademark owners the right to formulate objections with respect to the registration of a geographical indication, the fact that Article 7(4) of Regulation 2081/92 limits the possible grounds of objection cannot be inconsistent with Article 16.1.

(b) Australia has misread Article 7(4) of Regulation 2081/92

334. In any event, Australia's claim is based on a misreading of Article 7(4) of Regulation 2081/92. The text in force of that Article provides in relevant part as follows:

A statement of objection shall be admissible only if it:

...

– shows that the registration of the name proposed would jeopardize the existence of an entirely or partly identical name or of a mark ...¹⁶⁰

¹⁵⁸ Emphasis added.

¹⁵⁹ Emphasis added.

¹⁶⁰ Emphasis added.

335. The term "entirely or partially identical" qualifies only the term "name", and not the term "mark". Thus, an objection is admissible if the proposed name "would jeopardize the existence of the mark", regardless of whether the mark is "entirely or partially identical". This is confirmed by the other linguistic versions of the Regulation, including the French and the Spanish ones, which read as follows:

Pour être recevable, toute déclaration d'opposition doit :

...

– ... démontrer que lenregistrement du nom proposé porterait préjudice a l'existence d'une dénomination totalement ou partiellement homonyme ou d'une marque ...

Para que sea admitida, toda declaración de oposición deberá:

...

– ...demostrar que el registro del nombre propuesto perjudicaría la existencia de una denominación total o parcialmente homónima o de una marca...

336. The ground provided in Article 7(4), i.e. that the proposed name "would jeopardize" ("porterait préjudice" in French, "perjudicaría" in Spanish) the existence of a mark" is broad enough to encompass the likelihood of confusion between the proposed name and the trademark.

337. Australia appears to have been confused by the English version of the text in force until the amendment introduced by Council Regulation 806/2003, which read as follows:

A statement of objection shall be admissible only if it:

...

– shows that the registration of the name proposed would jeopardize the existence of an entirely or partly identical name or trade mark ...

338. However, no consequences can be attributed to the omission of the term "of a" before the term "trade mark", which appears to have been a translation error. Indeed, the other linguistic versions in force until the said amendment, including the French and the Spanish, were identical on this point to the text currently in force in those versions.

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

339. Australia (but not the United States) claims that Regulation 2081/92 is inconsistent with Article 16.1 because it does not ensure that an objection from the owner of a registered trademark is considered by the Committee¹⁶¹, which Australia characterizes as "the ultimate decision maker".

340. For the reasons explained in the response to Claim 3, Article 16.1 does not confer a right of objection to the trademark owners. Therefore, the procedures laid down in Regulation 2081/92 with a view to organize the exercise of such right cannot be inconsistent with Article 16.1.

¹⁶¹ Australia's FWS, paras. 94-99.

341. In any event, Australia's allegations are incorrect as a matter of fact.

342. First, as explained above,¹⁶² the Commission, or the Council, and not the Committee is "the ultimate decision-maker" under the Regulation.

343. Second, Regulation 2081/92 entrusts to the authorities of the Member States the task of receiving and examining the objections because they are generally better placed to ascertain and assess the relevant facts. While Member States are not required to transmit the statements objections, their decisions are not discretionary and may be subject to judicial review under the national law of each Member State.

344. Third, the authorities of other WTO Members enjoy complete discretion in order to decide whether or not to forward the objections to the EC Commission. Thus, Australia would be estopped from complaining that the refusal by the Australian authorities to transmit a statement of objections to the EC Commission would infringe the trademark rights of its own nationals in the EC. The same would be true of any other WTO Member.

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

345. Australia (but not the United States) claims that by requiring the co-existence of a an existing trademark and a later geographical indication, Article 14(2) of Regulation 2081/92 "encumbers unjustifiably" the use of the trademark, thereby violating Article 20 of the TRIPS Agreement.¹⁶³

346. Article 20 of the TRIPS provides that

The use of a trademark in the course of trade shall not be unjustifiably encumbered by special requirements, such as use with another trademark, use in a special form or use in a manner detrimental to its capability to distinguish the goods or services of one undertaking from those of other undertakings. This will not preclude a requirement prescribing the use of the trademark identifying the undertaking producing the goods or services along with, but without linking it to, the trademark distinguishing the specific goods or services in question of that undertaking.

347. Australia has misunderstood the purpose and, as result, also the scope of Article 20. That provision is not concerned with the issue of exclusivity (i.e. *who* has the right to use a sign), which, as between trademarks, is dealt with exhaustively by Article 16. Instead, Article 20 addresses the distinct issue of which requirements may be imposed upon the trademark right holder with respect to the use of *his* own trademark (i.e. *how* to use a trademark").

348. On Australia's interpretation Article 20 would overlap, and potentially conflict, with Article 16. For example,

- Article 16.1 allows the use of a later similar trademark for similar goods, provided that it does not result in "likelihood of confusion". Yet, on Australia's theory, the use of that trademark would still be prohibited under Article 20 if it "encumbered unjustifiably" the use of the earlier trademark, for example by "diminishing its distinctiveness";

¹⁶² See above Section II. H.

¹⁶³ Australia's FWS, paras. 108-112.

- Article 16.1 provides that the exclusivity of registered trademarks is without prejudice of existing prior rights. Yet, on Australia's interpretation, the exercise of such prior rights could still be prohibited if it "encumbered unjustifiably" the use of a later trademark;
- Article 16 allows the use of identical or similar signs for different goods, except as provided in Article 16.3. On Australia's interpretation, however, such use could be prohibited by Article 20 whenever it "encumbers unjustifiably" the use of another trademark.

349. The three examples of "special requirements" included in the first sentence confirm that Article 20 does not address the issue of exclusivity:

- the first example ("use with another trademark") refers to the requirement that an undertaking uses, in addition to its own trademark, another trademark for the same goods, and not to the use of a trademark in coexistence with another trademark used by a different undertaking for its own goods. A typical example is the requirement to use a foreign trademark together with the trademark of a domestic producer.¹⁶⁴
- the second example ("use in a special form") is, by its own terms, concerned exclusively with the *form* in which the trademark may be used, rather than with the issue of who has the right to use it. It concerns, for example, the requirements affecting the affixing of the trademark.¹⁶⁵
- as regards the third example ("in a manner detrimental to the capability to distinguish the goods or services, etc."), on which Australia places particular emphasis, the term "in a manner" confirms that the requirement must relate to the "way", "method" or "mode"¹⁶⁶ in which the trademark is used by each trademark owner, rather than to the issue of exclusivity.

350. Article 14(2) of Regulation 2081/192 limits the exclusive right of the trademark right holder to prevent the use of the trademark by others, by providing for the co-existence of a geographical indication, but imposes no "requirement" with respect to *how* the trademark owner may use its own trademark. Since Article 14(2) imposes no requirements falling within the scope of Article 20 of the TRIPS Agreement, it cannot be inconsistent with that provision.

351. In any event, as shown in the response to Claim 19, co-existence is consistent with the relevant EC's obligations under the TRIPS Agreement and, therefore, would not be "unjustified".

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

352. Australia (but not the United States) claims that Article 14(1) of Regulation 2081/92 violates Article 25.4 of the TRIPS Agreement because it does not afford the right of priority in respect of an

¹⁶⁴ See Daniel Gervais, *The TRIPS Agreement, Drafting History and Analysis* (Sweet and Maxwell, 1998), p. 116. See also Eleanor.K. Meltzer, "TRIPS and Trademarks, or GATT got your tongue?" (1993) 83 *The Trademark Reporter*, pp. 18-37, p. 29.

¹⁶⁵ Daniel Gervais, *op.cit.*, p. 117.

¹⁶⁶ New Shorter Oxford English Dictionary, 1993, Vol. I, p. 1687.

application for registration of a trademark previously filed in another WTO Member provided in Article 4 of the Paris Convention (1967).¹⁶⁷

353. As explained in Section II,¹⁶⁸ the EC considers that this claim is outside the terms of reference because it is entirely dependent on a supposed violation of Article 4 of the Paris Convention (1967), which was not mentioned in Australia's panel request.

354. In any event, Australia's claim is insufficiently argued and difficult to understand.

355. Australia appears to be arguing that, in accordance with Article 4 of the Paris Convention (1967), an application for a trademark that was filed in Member X up to six months prior to one of the two dates mentioned in Article 24.5 of the TRIPS Agreement would have the effect of bringing within the scope of the protection provided by Article 24.5 any subsequent application made after those dates in Member Y. That interpretation, however, would be incorrect, because it relies on the legal consequences of Article 24.5 in order to establish that certain facts fall within the scope of that provision. In other words, Australia's interpretation of Article 24.5 already anticipates the result of such interpretation.

356. Article 24.5 requires to afford the priority right of Article 4 of the Paris Convention (1967) to those applications that are "grandfathered" by virtue of that provision, i.e. to the applications filed before the date of entry into force of the WTO Agreement (1 January 1996) or before the date of protection of the GI in its country of origin. But Article 4 of the Paris Convention (1967) cannot be applied in order to determine whether an application is "grandfathered" in accordance with Article 25.4. For that purpose, the only relevant date is the actual date of filing in the Member applying the implementing measures. When that date is taken into account, Article 14(1) of Regulation 2081/1992 is fully consistent with Article 24.5 of the TRIPS Agreement.

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

1. General Considerations

357. Australia and the United States claim that Regulation 2081/92 is inconsistent with numerous provisions of Part III of the TRIPS Agreement because it does not afford to trademark right holders the enforcement rights stipulated in those provisions.

358. The EC considers that these claims are unfounded because Part III of the TRIPS Agreement does not apply to Regulation 2081/92.

359. Regulation 2081/92 lays down an administrative procedure for the acquisition of geographical indications via a system of registration. It does not purport to regulate the procedures for enforcing trademark rights, which are provided instead in the trademark laws, and related civil and criminal procedural laws, of the EC and of its Member States. Those laws, which have been notified to the WTO, are not within the terms of reference of the Panel.

360. The TRIPS Agreement draws a clear distinction between, on the one hand, the procedures for the "enforcement" of intellectual property rights, which are provided in Part III, and, on the other hand, the "procedures for the acquisition and maintenance of intellectual rights and related *inter partes* procedures", which are addressed in Part IV. The procedures provided in Regulation 2081/92 for the registration of geographical indications at issue in this dispute fall clearly within the second category and are subject exclusively to Part IV, and not to Part III.

¹⁶⁷ Australia's FWS, paras. 81-87.

¹⁶⁸ See above paras. 28-30.

361. The purpose of Part III is expressed in Article 41.1 which provides that

Members shall ensure that enforcement procedures as specified in this part are available under their law so as to permit effective action against any act of infringement of intellectual property rights covered by this Agreement, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements.

362. The granting of an intellectual property right in accordance with the domestic law of each Member is not an "infringement" and, therefore, is not subject to Part III of the TRIPS Agreement. Further, the subsequent use of a validly granted intellectual property right in conformity with the domestic laws of a Member is also not an "infringement".

363. For the purposes of Part III, the existence of an "infringement" must be established with respect to the applicable domestic law implementing Part II of the TRIPS Agreement, and not in relation to Part II itself. In other words, an act which is consistent with a Member's domestic law, such as the use of a validly registered geographical indication, is not an "infringement" for the purposes of Part III, even if the domestic law is inconsistent with Part II. Indeed, requiring Members to provide "enforcement" procedures against acts that are consistent with their own domestic laws, but are inconsistent with Part II, would be as much as requiring them to give direct effect to the WTO Agreement in their domestic legal order.

364. In addition, applying the provisions of Part III to the procedures for the acquisition of intellectual property rights, such as those regulated in Regulation 2081/1992, would render redundant many of the provisions of Part IV and give rise to conflicts between Part III and Part IV.

365. Moreover, it would have unacceptable results for most Members, as illustrated by the complainants' claims. It would mean, for example, that intellectual property rights would have to be conferred always by a judicial body in accordance with judicial procedures, rather than by an administrative body in accordance with administrative procedures, as is currently the case in most Members, including Australia and the United States. The EC does not believe, for instance, that the complainants' own systems of registration of trademarks, which are operated by an administrative body, would comply with the provisions of Part III.

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

366. Both Australia and the United States claim that Regulation 2081/92 is inconsistent with Article 41.1 of the TRIPS Agreement¹⁶⁹.

367. Article 41.1 of the TRIPS Agreement is an introductory provision, which does not impose any obligation by itself. Australia appears to agree because it argues that the measure is inconsistent with Article 41.1 "as a consequence of"¹⁷⁰ the fact that it is inconsistent with Articles 41.2, 41.3, 42, 43, 44, 45, 46, 48 and 49. As explained in Section II, the EC considers that Articles 43, 44, 45, 46, 48 and 49 are outside the terms of reference of the Panel, because they were not mentioned in Australia's panel request. Australia's claims under Articles 41.2, 41.3 and 42 will be addressed here below.

368. The United States submits no arguments in support of this claim.¹⁷¹

¹⁶⁹ Australia's FWS 145-148. US FWS, para. 185.

¹⁷⁰ Australia's FWS, para. 148.

¹⁷¹ US FWS, para. 185.

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

369. Both Australia and the United States claim that Regulation 2081/92 is inconsistent with Article 41.2 of the TRIPS Agreement¹⁷² because

- it does not make available to trademark owners "fair and equitable procedures" for objecting to the registration of geographical indications;
- the objection procedures are "unnecessarily complicated" and "entail unwarranted delays".

370. For the reasons explained above, the EC considers that Article 41.2, like the rest of Part III of the TRIPS Agreement, does not apply to the procedures for the acquisition of intellectual property rights, which are instead subject exclusively to the provisions of Part IV. In the case of Article 41.2, this is made clear by Article 62.4 of the TRIPS Agreement, which provides that

The procedures concerning the acquisition or maintenance of intellectual property rights and, where a Member's law provides for such procedures, administrative revocation and *inter partes* procedures such as opposition, revocation and cancellation, shall be governed by the general principles set out in paragraphs 2 and 3 of Article 41.

371. The cross-reference to "the *general principles* set out in paragraphs 2 and 3 of Article 41" would have been superfluous if Article 41 could be applied, as such, to the procedures for the registration of an intellectual property right.

372. Neither Australia nor the United States have claimed in their panel requests that Regulation 2081/92 is inconsistent with Article 62.4, which is, therefore, outside the terms of reference of the Panel.

373. In any event, as shown below, the complainants' allegations are unfounded as a matter of fact.

(a) The procedures provided in Regulation 2081/92 are neither inequitable nor unfair

374. The accusation that a Member acts in an "unfair and inequitable" manner is a very serious one. One could expect that such an accusation would be made against another Member only after careful consideration and on the basis of indisputable evidence.

375. Yet, the United States does not even bother to provide argument, let alone evidence, in support of its claim under Article 41.2.¹⁷³

376. For its part, Australia alleges that the objection procedures provided for in Regulation 2081/92 are neither fair nor equitable because

- objections must be lodged with an agency "that is *likely* to have an interest in supporting and promoting the registration of EC-defined GIs";¹⁷⁴

¹⁷² Australia's FWS, paras. 126-136. US FWS, para. 186.

¹⁷³ US FWS, para. 186.

¹⁷⁴ Australia's FWS, para. 130. Emphasis added.

- objections must be considered by a Committee comprised of "delegates of the same EC Member States agencies which are *likely* to have an interest in supporting and promoting the proposed registration of EC Member State geographic terms as defined GIs"¹⁷⁵
- "trademark right holders not resident in the EC face the additional hurdle of not having a national representative in the Committee".¹⁷⁶

377. Australia concludes that "in such circumstances, the *possibility of bias* in favour of both the proposed EC-defined GI and the interests of EC Member States *cannot be seen to be excluded*."¹⁷⁷

378. At the outset, the EC would submit that the mere fact that the "possibility of bias cannot be seen to be excluded" cannot be sufficient to establish a violation of Article 41.2. Instead, it would need to be shown that the procedures at issue are positively unfair and inequitable. In any event, Australia has not met even the very low standard which it has set forth itself.

379. To begin with, Australia's allegations are fraught with factual errors. Australia repeats, once again, the mistake of considering that the Committee is the decision-making body. Moreover, it is also incorrect to describe the members of the Committee as "delegates" of the national agencies in charge of applying Regulation 2081/92.¹⁷⁸ The members of the Committee represent the Member States, and not specific agencies.

380. Even more crucially, Australia's allegations of "possibility of bias" are not based on actual fact, but on mere speculations about the "likely" conduct of public agencies and their officials. Those speculations are baseless and, indeed, offensive.

381. Neither the agencies of the Member States responsible for the administration of Regulation 2081/92, nor the officials employed by such agencies, are under any instructions to "promote" the registration of "their" geographical indications at the expense of the rights of trademark holders, whether they are EC nationals or foreigners. To the contrary, they are under a statutory duty to apply Regulation 2081/92 in an objective and unbiased manner. In the absence of compelling evidence, which Australia has not provided, it cannot be assumed that those agencies, or their officials, are "likely" to breach systematically those duties.

382. Surely, Australia would agree that Australia's own trademark office, and the officials of that agency, are not "likely" to be biased in favour of registering trademarks requested by Australian nationals over the objections of EC's right holders of geographical indications. Australia would also agree that the fact that the EC or its Member States are not "represented" in the decision making bodies of Australia's trade mark office does not render the procedures before that office "unfair" and "inequitable". Again, in the absence of any compelling evidence to the contrary, which Australia has not provided, it cannot be assumed that the agencies of the EC Member States, and their officials, will behave differently from Australia's own agencies and officials.

- (b) The procedures provided in Regulation 2081/92 are not unnecessarily complicated and do not entail unwarranted delays

383. Again, the United States has not submitted any argument in support of this claim.¹⁷⁹

¹⁷⁵ Ibid., para.131. Emphasis added.

¹⁷⁶ Ibid., para. 134.

¹⁷⁷ Ibid., para. 135. Emphasis added.

¹⁷⁸ Ibid., para. 131.

¹⁷⁹ US FWS, para. 186.

384. The thrust of Australia's claim is that the requirement to lodge the statement of objection with the authorities of the Member State or the WTO member of residence "adds unjustifiable complexity and delay" to the enforcement of trademark rights.¹⁸⁰

385. Australia's complaint is unfounded. As explained, Regulation 2081/92 entrusts the examination of objections to the Member States because they are closer to the facts and better equipped to ascertain and assess them. Even if objections were lodged directly with the EC Commission, it would still be necessary for the EC Commission to request the assistance of the authorities of the Member States in order to verify the relevant facts. Thus, it is very doubtful that centralising the submission of objections at the Commission level would add simplicity or speed to the procedures.

386. The same is true as regards the statements of objections filed with another WTO Member, in particular when they relate to the registration of a geographical indication from that WTO Member. Moreover, each WTO Member has complete discretion in order to decide whether or not to transmit an objection to the EC Commission. If they wished, the Australian authorities could limit themselves to forward immediately to the EC Commission any objection that they receive. This can hardly be described as an "unnecessarily complicated" formality or as an "unwarranted delay". Once again, Australia cannot plead its own unwillingness to forward the statement, or its failure to do so expeditiously, in order to claim that this requirement adds unjustified complexity or delay.

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

387. Australia (but not the United States) claims that Regulation 2081/92 is inconsistent with Article 41.3 of the TRIPS Agreement in that the registration decisions are not "based only on evidence on which parties were offered the opportunity to be heard". Specifically, Australia alleges that Regulation 2081/92 does not ensure that the Committee will consider the objections lodged with the Member States.¹⁸¹

388. Like the rest of Part III of the TRIPS Agreement, Article 41.3 does not apply to the procedures for the acquisition of intellectual property rights, which are instead subject to the provisions of Part IV. This is made clear, once again, by Article 62.4 of the TRIPS Agreement, which makes a cross-reference to the *general principles* stated in paragraph 3 of Article 41. As mentioned, Australia did not state in its panel request Article 62.4, which is, therefore, outside the terms of reference of the Panel.

389. In any event, Australia's factual allegations under this heading are incorrect. (See above the responses to Claims 21 and 22)

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

390. The United States (but not Australia) claims that the measure is inconsistent with Article 41.4 because "owners of registered trademarks trying to enforce their Article 16.1 rights vis-à-vis a confusing GI or interested parties with GIs based in other territories other than the EC" are not provided an opportunity for review by a judicial authority.¹⁸²

391. Again, the United States limits itself to assert this claim, but does not submit any argument in order to support it.

¹⁸⁰ Australia's FWS, para. 138.

¹⁸¹ Australia's FWS, paras. 141-144.

¹⁸² US FWS, para. 187.

392. In any event, Article 41.4 of the TRIPS Agreement does not apply with respect to the procedures for the acquisition of intellectual property rights. As discussed below, Article 62.5 of the TRIPS Agreement provides that final administrative decisions in those procedures shall be subject to judicial review. The United States, however, has not mentioned this provision in its panel request. In any event, registration decisions under Regulation 2081/92 are subject to judicial review.

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

393. The complainants claim that Regulation 2081/92 is inconsistent with Article 42 because it does not provide to trademark right holders civil judicial procedures for the enforcement of their rights vis-à-vis the registration of geographical indications.¹⁸³

394. The valid registration of a geographical indication in accordance with Regulation 2081/92 does not constitute an "infringement" of trademark rights for purposes of Part III. Accordingly, there is no obligation under Article 42 to provide judicial procedures for "enforcing" those rights against the registration of a geographical indication.

395. As explained, Regulation 2081/92 lays down an administrative procedure for the acquisition of geographical indication rights via a system of registration. As such, it is subject to Part IV of the TRIPS Agreement, and not to Part III. Unlike Part III, Part IV does not require to provide judicial procedures. In most countries, including the United States and Australia, registration procedures are administrative in nature.

396. While Part IV does not require to provide judicial procedures, it requires that final decisions in administrative procedures must be subject to judicial review. Thus, Article 62.5 states that

Final administrative decisions in any of the procedures referred to under paragraph 4 shall be subject to review by a judicial or quasi judicial authority. However, there shall be no obligation to provide an opportunity for such review of decisions in cases of unsuccessful opposition or administrative revocation, provided that the grounds for such procedures can be the subject of invalidation.

397. Consistent with Article 62.5, the final decisions on registration reached under Regulation 2081/92 are subject to judicial review. Likewise, the decisions of the Member States authorities with regard to *inter alia* objections may be subject to judicial review under their national laws. In any event, neither the United States nor Australia have stated in their panel requests any claim under Article 65.2, which is therefore outside the terms of reference.

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

398. Australia (but not the United States) claims that Regulation 2081/92 is inconsistent with Article 10bis (1) of the Paris Convention (1967)¹⁸⁴ because "it does not provide a Community wide system of effective protection of trademarks from acts of unfair competition arising from the later registration of EC-defined GIs under the Regulation".¹⁸⁵

399. This claim is insufficiently argued and difficult to understand. Australia does not explain how the use of a registered geographical indication, which is otherwise consistent with the TRIPS

¹⁸³ Australia's FWS, paras. 119-125. US FWS, para. 187.

¹⁸⁴ Australia's FWS, paras. 113-118.

¹⁸⁵ Australia's FWS, para. 114.

Agreement, and in particular with Articles 24.5 and 16, could constitute an act of unfair competition within the meaning of Article 10*bis* (1).

400. In any event, the use of registered geographical indications remains subject to the EC legislation on labelling and misleading advertising, as well as to the laws of the EC Member States on unfair competition. That legislation is not within the terms of reference of the Panel.

401. Australia suggests that the violation would arise from the fact that there is no Community wide system of protection.¹⁸⁶ However, there is no basis in Article 10*bis* (1), or anywhere else in the Paris Convention (1967) for the proposition that the protection against unfair competition must be provided at any given territorial level.¹⁸⁷

402. Australia's claim under Article 10*ter* (1) of the Paris Convention (1967)¹⁸⁸ is based on the same allegations as the claim under Article 10*bis* (1) and is equally unfounded for the same reasons.

F. CONSEQUENTIAL CLAIMS

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

403. Australia claims that, because Regulation 2081/92 is inconsistent with Articles 10*bis* (1) and 10*ter* (1) of the Paris Convention (1967), it is also inconsistent with Article 2.1 of the TRIPS Agreement.¹⁸⁹

404. This claim is entirely dependent on the previous claims under Articles 10*bis* (1) and 10*ter* (1) of the Paris Convention. Both claims are unfounded and, as a consequence, so is this claim.

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

405. Australia claims that because Regulation 2081/92 is inconsistent with Articles 2.1, 16.1, 20, 24.5, 41.1, 41.2, 41.3 and/ or 42 of the TRIPS Agreement it is also inconsistent with Article 1.1 of the TRIPS Agreement.¹⁹⁰

406. The EC has shown that Australia's claims under those provisions are without merit. Therefore, Australia's claim under Article 1.1 is likewise unfounded.

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

407. Australia (but not the United States) claims that the transitional protection that Member States are entitled to provide under Article 5(5) of Regulation 2081/92 pending a registration decision is inconsistent with Articles 2.1 (incorporating Articles 10*bis* (1) and 10*ter* (1) of the Paris Convention (1967)) 16.1, 41.1, 41.2, 41.3 and/or 42 of the TRIPS Agreement.¹⁹¹

¹⁸⁶ Australia's FWS, para. 114.

¹⁸⁷ Australia is a federal state. Surely, Australia would agree that Article 10*bis* (1) does not require it to change the constitutional allocation of powers between the Commonwealth and the State and Territory Governments.

¹⁸⁸ Australia's FWS, para. 117.

¹⁸⁹ Australia's FWS, para. 151.

¹⁹⁰ Australia's FWS para. 152.

¹⁹¹ Australia's FWS, paras. 149-150.

408. This claim is entirely dependent on the previous claims submitted by Australia under the above listed provisions. Since those claims are unfounded, so is this claim.

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

409. Australia¹⁹² and the United States¹⁹³ have submitted very different claims under this heading. The EC will address them separately here below.

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

410. Australia claims that¹⁹⁴

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

411. Once again, this claim is insufficiently argued. Here below, the EC will provide a provisional answer based on its limited understanding of Australia's rather obscure arguments.

412. First, the EC considers that Article 22.2 of the TRIPS Agreement is concerned exclusively with the protection of geographical indications. It cannot be invoked by a trademark right holder in order to prevent the use a geographical indication which supposedly infringes its trademark right, which is what Australia appears to be suggesting.

413. Second, Regulation 2081/92 only allows the use of a geographical indication in connection with goods that originate in the geographical area designated by that geographical indication. The EC fails to see how the use of a validly registered geographical indication, which is otherwise consistent with the TRIPS Agreement, could possibly mislead the public as to the geographical origin of the goods. In fact, the registration of the geographical indication seeks to avoid precisely that result.

414. Third, the EC also fails to understand how the registration or the use of a geographical indication consistently with the EC domestic laws, as well as with all other provisions of the TRIPS Agreement, including Articles 24.5 and 16, could ever constitute an act of unfair competition within the meaning of Article 10bis of the Paris Convention (1967). Australia has not explained it. In any event, the use of registered geographical indications remains subject to the EC legislation on labelling and misleading advertising, as well as to the laws of the Member States on unfair competition. That legislation is not within the terms of reference of the Panel.

415. Finally, Australia suggests that the violation would arise from the fact that there is no Community-wide system of protection. However, there is no basis in Article 22.2, or anywhere else in the TRIPS Agreement, for the proposition that protection must be provided at any particular territorial level.

¹⁹² Australia's FWS, paras. 154-155.

¹⁹³ US FWS, paras. 171-183.

¹⁹⁴ Ibid., para. 155.

2. Claim 35: Regulation 2081/92 is inconsistent with Article 1.1 of the TRIPS Agreement because it is inconsistent with Article 22.2

416. Australia claims that, because Regulation 2081/92 is inconsistent with Article 22.2 of the TRIPS Agreement, it is also inconsistent with Article 1.1.¹⁹⁵

417. This claim is entirely consequential on Claim 21. Since there is no violation of Article 22.2, there is also no violation of Article 1.1.

3. Claim 36: Regulation 2081/92 is inconsistent with Article 22.2 TRIPS

418. The United States claims that Regulation 2081/92 is inconsistent with Article 22.2 because it fails to provide to "interested parties" established outside the EC the means to prevent the acts specified in that provision.¹⁹⁶

419. The United States cites the following reasons:

- the registration of geographical indications is subject to the conditions of equivalence and reciprocity;
- the applications for registration of geographical indications must be made by the foreign governments;
- the right to lodge an objection against a registration is subject to certain restrictions.

420. As shown below, the reasons mentioned by the United States are either incorrect, as a matter of EC law, or irrelevant under WTO law. Therefore, Regulation 2081/92 implements adequately the EC's obligations under Article 22.2 also with respect to the "interested parties" of other WTO Members.

421. In any event, the EC recalls that Regulation 2081/92 is not the only means made available by the EC and its Member States to the "interested parties" of other WTO Members in order to prevent the acts mentioned in Article 22.2. Therefore, even assuming that the US arguments with respect to Article 2081/92 were correct, the EC would still comply with its obligations under Article 22.2.

(a) Regulation 2081/92 provides to interested parties of other WTO Members the means to prevent the acts mentioned in Article 22.2

(i) *Reciprocity and equivalence conditions*

422. In support of its claim, the United States has claimed that the registration of geographical indications is subject to conditions of "reciprocity and equivalence".

423. As the EC has already stated before,¹⁹⁷ this claim is factually not correct. Article 12(1), to which the United States has referred, is not applicable to WTO Members. Accordingly, the United States' claim under Article 22.2 TRIPS is equally unfounded.

¹⁹⁵ Australia's FWS, para. 156.

¹⁹⁶ US FWS, paras. 171-183.

¹⁹⁷ See above paras. 62-69.

(ii) *The requirement that the application must be transmitted by the Government*

424. The United States has also referred to the fact that the application for registration of a geographical indication must be transmitted by the government of the country in which the relevant area is located.

425. As the EC has already set out, this requirement is a modality of the registration process which equally applies to applications from Member States and from third countries, i.e. concerns the procedure for the acquisition of an intellectual property right. According to Article 62.1 TRIPS, Members may require, as a condition of the acquisition or maintenance of intellectual property rights provided for under Sections 2 through 6 of Part II, compliance with reasonable procedures and formalities.

426. The United States has not shown that the requirement of transmission by the third country government is an unreasonable procedural requirement. In any event, such a claim would be a claim under Article 62.1 TRIPS. Since the United States has not referred to this provision in its Panel request, such a claim would be outside the Panel's terms of reference.

(iii) *The right of objection*

427. As explained above in response to Claim 21, the EC considers that the right to formulate objections to the registration of another intellectual property right is not inherent in the exclusivity rights conferred to trademark rights holders by Article 16.1. For the same reasons, the EC submits that Article 22.2 does not confer to "interested parties" a right to object to the registration of a geographical indication under Regulation 2081/92.

428. In any event, the US arguments are unfounded.

429. First, the exercise of the rights conferred by Article 22.2, like that of other intellectual property rights, can be made subject to compliance with reasonable procedures and formalities.¹⁹⁸ The requirement that statements of objections must be channelled through the authorities of other WTO Members is equivalent to the requirement imposed on EC residents. It is neither excessive nor unreasonable. Indeed, the authorities of other WTO Members enjoy complete discretion to decide whether or not to transmit an objection. If the US authorities wished, they could limit themselves to forward immediately any objection that they receive. Furthermore, the United States would be estopped from pleading that, because of its own willingness to forward a statement of objections to the EC Commission, US nationals are deprived from the means of protection required by Article 22.2.¹⁹⁹

430. Second, as explained in the factual part, the United States has misread Article 12d of Regulation 2081/92.²⁰⁰ The requirement that the country must have been recognized under Article 12(3) does not apply to WTO Members.

431. Third, Articles 12b (2) and 12d (1) of Regulation 2081/92 require a "legitimate interest" as a condition for objecting to the registration of a geographical indication. However, this term does not, in accordance with its ordinary meaning, require that the person concerned must have an economic interest "in the EC" in the sense that it must be "established" or "do business" within the EC.²⁰¹

¹⁹⁸ Cf. Articles 62.1 and 41.2 of the TRIPS Agreement.

¹⁹⁹ US FWS, para. 179.

²⁰⁰ US FWS, para. 180.

²⁰¹ US FWS, para. 181.

432. Fourth, a name which is misleading as to the origin of the product would fail to comply with the requirements of Article 2 (the first ground of objection under Article 7(4)).²⁰² The EC fails to see what "acts of unfair competition", in addition to those already covered by the existing grounds of objection, could arise from the valid registration of a geographical indication under Regulation 2081/92.²⁰³ The United States has specified none.

(b) The EC and its Member States provides to interested parties of other WTO Members other means to prevent the acts mentioned in Article 22.2

433. Regulation 2081/92 is not the only means made available by the EC and its Member States to interested parties established both in the EC and in other WTO Members in order to prevent the acts mentioned in Article 22.2.

434. Specifically, additional means of protection are provided in:

- Directive 79/112 on the labelling, presentation and advertising of foodstuffs²⁰⁴ and implementing legislation of the Member States;
- Directive 84/450 on misleading advertising²⁰⁵ and implementing legislation of the Member States;
- the Trademarks Directive and implementing legislation of the Member States;
- the Community Trademark Regulation;
- unfair competition laws of the Member States.

435. The United States is aware of the above measures, which were specified in the responses provided by the EC and its Member States in the context of the review under Article 24.2 of the TRIPS Agreement²⁰⁶ and have been notified to the WTO.

436. The means of protection provided by the above measures are sufficient to implement the EC's obligation under Article 22.2. In any event, these measures are outside the terms of reference of the Panel.

VIII. REGULATION 2081/92 IS CONSISTENT WITH OBLIGATIONS UNDER THE TBT AGREEMENT

437. Australia (but not the United States) has raised two claims under the TBT Agreement:

- that Article 12(2) of Regulation 2081/92 is incompatible with Article 2.1 of the TBT Agreement (claim 37);²⁰⁷

²⁰² US FWS, para. 182.

²⁰³ Ibid.

²⁰⁴ Directive 2000/13/EC of the European Parliament and of the Council, of 20 March 2000, on the approximation of the laws of the member States relating to the labelling, presentation and advertising of foodstuffs, OJ (2000) L 109/29.

²⁰⁵ Council Directive 84/450/EEC of 10 September 1984 relating to the approximation of the laws, regulations and administrative provisions of the Member States concerning misleading advertising, OJ (1984) L 250/17.

²⁰⁶ IP/C/W/117/Add. 10, 26 March 1999.

²⁰⁷ Australia's FWS, para. 234 et seq.

- that Articles 4 and 10 of Regulation 2081/92 are incompatible with Article 2.2 of the TBT Agreement (claim 38).²⁰⁸

438. Hereafter, the EC will first show that the provisions of Regulation 2081/92 referred to by Australia cannot be regarded as technical regulations within the meaning of Articles 2.1 and 2.2 TBT Agreement. Subsequently, the EC will show that in any event, Australia's claims under Article 2.1 and 2.2 TBT Agreement are unfounded.

A. REGULATION 2081/92 IS NOT A TECHNICAL REGULATION

439. Australia has argued that Regulation 2081/92 is in part a technical regulation within the meaning of Annex 1 to the TBT Agreement.²⁰⁹ In this respect, it has referred on the one hand to Article 12(2) of Regulation 2081/92, and on the other hand to Article 4, in particular 4 (2) (g), and 10 of Regulation 2081/92.²¹⁰ As the EC will show, none of these provisions constitutes a technical regulation within the meaning of the TBT Agreement.

1. General

440. Articles 2.1 and 2.2 of the TBT Agreement impose obligations on WTO Members with respect to "technical regulations". As the Appellate Body has explained in *EC – Asbestos*, whether the measure is a technical regulation is therefore a threshold issue which determines whether the obligations contained in Article 2 TBT Agreement are applicable.²¹¹

441. Point 1 of Annex 1 to the TBT Agreement defines a technical regulation as follows:

Document which lays down product characteristics or their related processes and production methods, including the applicable administrative provisions, with which compliance is mandatory. It may also include or deal exclusively with terminology, symbols, packaging, marking or labelling requirements as they apply to a product, process or production method.

442. As the Appellate Body has stated in *EC – Sardines*, there are three criteria which must be fulfilled cumulatively in order for a measure to be considered a technical regulation:²¹²

We interpreted this definition in *EC – Asbestos*. In doing so, we set out *three criteria* that a document must meet to fall within the definition of "technical regulation" in the *TBT Agreement*. *First*, the document must apply to an identifiable product or group of products. The *identifiable* product or group of products need not, however, be expressly *identified* in the document. *Second*, the document must lay down one or more characteristics of the product. These product characteristics may be intrinsic, or they may be related to the product. They may be prescribed or imposed in either a positive or a negative form. *Third*, compliance with the product characteristics must be mandatory. As we stressed in *EC – Asbestos*, these three criteria are derived from the wording of the definition in Annex 1.1.

²⁰⁸ Australia's FWS, para. 249 et seq.

²⁰⁹ Australia's FWS, para. 209 et seq.

²¹⁰ Australia's FWS, paras. 219–221.

²¹¹ Appellate Body Report, *EC – Asbestos*, para. 59 ; similarly Appellate Body Report, *EC – Sardines*, para. 175.

²¹² Appellate Body Report, *EC – Sardines*, para. 176.

2. Article 12(2) of Regulation 2081/92 is not a technical regulation

443. Contrary to the view of Australia, Article 12(2) of Regulation 2081/92 is not a technical regulation within the meaning of the TBT Agreement.

(a) Article 12(2) does not apply to identifiable products

444. First of all, Article 12(2) of Regulation 2081/92 does not apply to identifiable products.

445. Australia has argued that Regulation 2081/92 applies to agricultural products and foodstuffs, and that these are identifiable products.²¹³ However, the EC would like to recall that the requirement to indicate the country of origin contained in the second subparagraph of Article 12(2) applies only to the names in the situation referred to in the first subparagraph of Article 12(2).²¹⁴

446. Accordingly, the requirement of Article 12(2) does not apply to all agricultural products and foodstuffs for which a registration is obtained under Regulation 2081/92, but only to cases of homonymous protected names from the EC and a third country. Moreover, as the EC has also explained, the requirement in Article 12(2) can apply both to geographical indications from a third country or from the EC, depending on which name has been protected earlier.²¹⁵

447. The Regulation itself does not allow to identify the products which might be affected by this requirement. Accordingly, Article 12(2) does not apply to identifiable products.

(b) Article 12(2) does not lay down product characteristics

448. Second, Article 12(2) does not lay down product characteristics. Australia has argued that Article 12(2) "sets out a specific labelling requirement" falling within the meaning of a technical regulation as defined in Annex 1 to the TBT Agreement.²¹⁶

449. Australia overlooks that Article 12(2) does not contain a specific labelling requirement for any specific product. Article 12(2) sets out merely the conditions under which a geographical indication will be registered in a situation where there are homonyms from the EC and a third country. The requirement to indicate the country of origin will be a condition for the registration of the geographical indication for which protection is sought later.

450. However, it is not Article 12(2) TBT Agreement itself which imposes a labelling requirement. The application for the registration of any geographical indication, whether from the EC or a third country, must be accompanied by a product specification. In accordance with Article 4 (2) (h) of Regulation 2081/92, the product specification shall contain the specific labelling details relating to the geographical indication. In the situation envisaged by Article 12(2), the requirement to indicate the country of origin will be among the labelling details which must be indicated in the product specification.

451. Moreover, it must be noted that the definition of "technical regulation" in Annex 1 to the TBT Agreement encompasses labelling requirements only "as they apply to a product, process or production method". In the present case, the labelling requirement does not relate to a product,

²¹³ Australia's FWS, para. 231.

²¹⁴ Above para. 85 et seq.

²¹⁵ Above, para. 88.

²¹⁶ Australia's FWS, para. 220.

process, or its production method, but merely to its geographic origin. As the EC has already set out,²¹⁷ this question of origin marking is covered by the special disciplines of Article IX GATT.

452. Accordingly, Article 12(2) does not lay down product characteristics within the meaning of the definition of a technical regulation.

(c) Article 12(2) of Regulation 2081/92 is not mandatory

453. Finally, Article 12(2) does not impose a requirement with which compliance is mandatory.

454. Regulation 2081/92 establishes a system for the registration and protection of geographical indications. The possibility to apply for registration of a geographical indication is a right, not an obligation. In particular, registration under Regulation 2081/92 is not a precondition for the marketing of products.

455. Article 4(1) of Regulation 2081/92 provides that in order to be eligible to use a geographical indication, a product "must comply with a specification". However, it is important to note that this compliance refers only to the specifications in Article 4(2), not to the Regulation itself.

456. Similarly, Article 12(2) is a condition for the registration of a geographical indication. Since the registration process is voluntary, compliance with Article 12(2) is not a mandatory condition for the placing of products on the market.

457. For all the reasons set out above, Article 12(2) of Regulation 2081/92 is not a technical regulation within the meaning of the TBT Agreement.

3. Articles 4 and 10 of Regulation 2081/92 are not a technical regulation

458. Contrary to the view of Australia, Articles 4 and 10 of Regulation 2081/92 are not a technical regulation within the meaning of the TBT Agreement.

(a) Articles 4 and 10 do not lay down product characteristics

459. First of all, Article 4 and 10 of Regulation 2081/92 do not lay down product characteristics.

460. Article 4(g), to which Australia has referred specifically, provides merely that the product specification shall include the details of the inspection procedures provided for in Article 10. Article 10 provides the basic criteria with which such inspection structures must comply. These provisions cannot be regarded as laying down product characteristics.

461. First, Article 10(1) defines that the function of inspection structures is "to ensure that agricultural products and foodstuffs bearing a protected name meet the requirements laid down in the specifications". Accordingly, the purpose of Article 4(g) in conjunction with Article 10 is not to lay down product characteristics, but to ensure conformity with the product specification.

462. However, the TBT Agreement makes a clear distinction between measures laying down product characteristics, and measures ensuring conformity with technical regulations. Articles 2 to 4 of the TBT Agreement deal with technical regulations and standards, whereas Articles 5 to 9 of the TBT Agreement are concerned with the assessment of conformity with technical regulations and standards. Point 3 of Annex 1 to the TBT Agreement defines a conformity assessment procedure as follows:

²¹⁷ Above 213.

Any procedure used, directly or indirectly, to determine that relevant requirements in technical regulations or standards are fulfilled.

463. Even if the product specification were to be considered a technical regulation, the inspection structure ensuring conformity with the specification would not be a technical regulation, but a conformity assessment procedure. Accordingly, Australia's claim regarding the inspection procedure does not concern a technical regulation, and accordingly does not fall under Article 2 TBT Agreement. Rather, Australia's claim would appear to fall, depending on the nature of the conformity assessment body involved, under Articles 5 to 9 of the TBT Agreement. However, since Australia did not refer to these provisions in its Panel request, any such claim would be outside the terms of reference of the present Panel.

464. Second, Article 4 of Regulation 2081/92 does not lay down product characteristics. Article 4(2) simply sets out the requirements with which a product specification must comply in order to permit the registration of a geographical indication. Article 4 (2) does not itself set out the product characteristics for specific products; rather, these characteristics are contained in the application for registration of a geographical indication in accordance with Article 5 (3) of the Regulation.

465. Moreover, it is not exceptional that the definition of product characteristics is required as a condition for the acquisition of certain intellectual property rights. In particular, the system of certification marks which used by certain countries requires that products bearing the mark comply with certain product characteristics.²¹⁸ However, it does not appear that such trade mark laws have so far been considered as falling under the TBT Agreement.

466. Accordingly, Article 4 in conjunction with Article 10 of Regulation 2081/92 cannot be regarded as laying down product characteristics.

(b) Articles 4 and 10 are not mandatory

467. As the EC has already explained, Regulation 2081/92 establishes a system for the registration and protection of geographical indications which is voluntary. The requirement that inspection structures must exist is a necessary requirement for the registration of geographical indications. However, this registration is not a precondition for the placing of products on the market.

468. For these reasons, Articles 4 and 10 of Regulation 2081/92 are not a technical regulation within the meaning of the TBT Agreement.

B. CLAIM 37: ARTICLE 12(2) OF REGULATION 2081/92 IS INCOMPATIBLE WITH ARTICLE 2.1 OF THE TBT AGREEMENT

469. Australia has claimed that Article 12(2) of Regulation 2081/92 is incompatible with Article 2.1 of the TBT Agreement.²¹⁹ As the EC has already explained, Article 12(2) of the Regulation is not a technical regulation, and Article 2.2 TBT Agreement is therefore not applicable.

470. Alternatively, the EC considers that Article 12(2) is fully compatible with Article 2.1 of the TBT Agreement. In this respect, the EC can also refer to the response the EC has already given to the United States' claims 3 and 14, regarding Article 12(2) with respect to the national treatment provisions of the GATT and the TRIPS.

²¹⁸ Cf. e.g. US Trademark Act, 15 US § 1127 (Exhibit EC-6).

²¹⁹ Australia's FWS, para. 234 et seq.

1. General

471. Article 2.1 TBT Agreement contains a national treatment provision applicable to goods in respect of technical regulations. The provision is drafted as follows.

Members shall ensure that in respect of technical regulations, products imported from the territory of any Member shall be accorded treatment no less favourable than that accorded to like products of national origin and to like products originating in any other country.

472. There is so far no WTO jurisprudence on this provision. For the reasons set out below, the EC does not consider it necessary to define, in the present context, the meaning of each of the elements of Article 2.1 TBT Agreement.

473. However, the EC would also like to recall that each provision of a covered agreement must be interpreted within the specific context of that agreement. For this reason, the EC does not agree with Australia that the jurisprudence concerning Article III GATT can simply be transposed to Article 2.1 TBT Agreement, for instance with respect to the likeness of products.²²⁰

474. Such an approach would overlook that there are important structural differences between the GATT and the TBT Agreement. In particular, there is no provision corresponding to Article XX of the GATT in the TBT Agreement. These structural differences between the two agreements must be taken into account when interpreting the requirements of Article 2.1 TBT Agreement.

2. Article 12(2) of Regulation 2081/92 does not apply to all geographical indications, but only to homonyms

475. As the EC has already set out, Article 12(2) merely sets out the conditions under which a geographical indication will be registered in a situation where there are homonyms from the EC and a third country. The requirement to indicate the country of origin will be a condition for the registration of the geographical indication for which protection is sought later.²²¹

476. Accordingly, Article 12(2) does not treat foreign and EC geographical indications differently; on the contrary, it treats them exactly alike. Accordingly, there is no violation of the national treatment obligation in Article 2.1 TBT Agreement.

3. The requirement to indicate the country of origin for homonymous geographical indications from the EC and third countries does not constitute less favourable treatment

477. Australia has argued that a violation of Article 2.1 exists to the extent that a requirement to indicate the country of origin does not exist in the case of two homonyms from the EC.²²²

478. This claim is equally unfounded. First of all, such a difference of treatment would also affect EC geographical indications, which are equally covered by Article 12(2), and therefore not be an issue of national treatment. In addition, the relevant point of comparison in this case would be the treatment of two homonyms within Australia; however, this is not a question which falls within the responsibility of the EC.

²²⁰ Australia's FWS, para. 226.

²²¹ Above para. 88.

²²² Australia's FWS, para. 235.

479. Moreover, Article 6(6) of Regulation 2081/92 requires "a clear distinction in practice" also where conflicts between homonyms arise within the EC. As the EC has explained, where the two homonyms are from different Member States, this may in practice require the indication of the country of origin.²²³ The only reason why the last indent of Article 6 (6) does not explicitly require the indication of the country of origin is that this provision deals with a wider set of conflicts than Article 12(2). In particular, Article 6(6) also applies to conflicts between homonyms from the same EC Member State. In such a situation, the indication of the country of origin would not be a meaningful way of achieving the necessary "clear distinction".

480. Accordingly, Article 12(2) of Regulation 2081/92 is compatible with Article 12(1) TBT Agreement.

4. National treatment obligations do not apply to requirements to mark the country of origin

481. Finally, it must be recalled that marks of origin are specifically dealt with in Article IX:1 of the GATT, which excludes the applicability of the national treatment obligation under Article III:4 GATT.²²⁴ Should Article 12(2) of Regulation 2081/92 be considered as a technical regulation, then this should not have the effect of rendering the specific provision of Article IX:1 GATT useless. Accordingly, in this case, the national treatment obligation contained in Article 2.1 TBT Agreement could not apply to origin marking requirements.

482. In conclusion, Article 12(2) of Regulation 2081/92 is not incompatible with Article 2.1 TBT Agreement.

C. CLAIM 38: ARTICLES 4, 10, AND 12 (1) OF REGULATION 2081/92 ARE INCOMPATIBLE WITH ARTICLE 2.2 OF THE TBT AGREEMENT

483. Australia has claimed that Articles 4, 10, and 12(1) of Regulation 2081/92 are incompatible with Article 2.2 of the TBT Agreement.²²⁵ Article 2.2 is drafted as follows:

Members shall ensure that technical regulations are not prepared, adopted or applied with a view to or with the effect of creating unnecessary obstacles to international trade. For this purpose, technical regulations shall not be more trade-restrictive than necessary to fulfil a legitimate objective, taking account of the risks non-fulfilment would create. Such legitimate objectives are, *inter alia*: national security requirements; the prevention of deceptive practices; protection of human health or safety, animal or plant life or health, or the environment. In assessing such risks, relevant elements of consideration are, *inter alia*: available scientific and technical information, related processing technology or intended end-uses of products.

484. Australia has explicitly recognised that Regulation 2081/92 pursues a legitimate objective, and is capable of fulfilling its legitimate objective.²²⁶ However, Australia argues that Article 4, 10, and 12(1) of Regulation 2081/92 read together require that another WTO Member have in place "inspection arrangements equivalent to those laid down" in the Regulation, and that this is more trade-restrictive than necessary to fulfil the legitimate objective.

²²³ Above para. 89.

²²⁴ Above para. 213.

²²⁵ Australia's FWS, para. 249 et seq.

²²⁶ Australia's FWS, paras. 247–248.

485. As the EC has already explained, the provision of Regulation 2081/92 regarding inspection structures do not constitute a technical regulation, and therefore do not fall under Article 2.2 of the TBT Agreement. In any case, the EC considers that the requirements regarding inspection structures are not more trade-restrictive than necessary, and this for the following reasons:

- the existence of inspection structures is only required with respect to the specific product for which protection is sought;
- the Regulation does not determine the specific design of the inspection structures;
- the existence of inspection structures is necessary to achieve the legitimate objectives of Regulation 2081/92.

1. The existence of inspection structures is only required with respect to the specific product for which protection is sought

486. In support of its claim, Australia has referred also to Article 12(1) of Regulation 2081/92. However, as the EC has explained, Article 12(1) is not applicable to WTO Members.²²⁷

487. Accordingly, the registration of a geographical indication from another WTO country does not require the existence of equivalent inspection structures for all products in that country. Rather, Article 12a, 10 and 4(2)(g) require the existence of equivalent inspection structures only with respect to the specific product for which protection is sought.

2. The Regulation does not determine the specific design of the inspection structures

488. Australia has argued that Article 10(1) of Regulation 2081/92 sets out the "detailed requirements" for the inspection structures, and claimed that the Regulation "provides no leeway for regard to be had to the particular circumstances or the existing arrangements of another WTO Member".²²⁸ Similarly, Australia has argued that the Regulation imposes an "EC model", and rules out the acceptability of other types of inspection mechanisms.²²⁹

489. These allegations are wrong. As the EC has explained, Regulation 2081/92, and in particular Article 10 thereof, provides considerable flexibility as to the specific design of inspection structures.²³⁰ Article 10 limits itself to setting out the basic functions and principles applicable to inspection bodies, without regulating their design in detail. Moreover, Articles 10(2) specifically allows a choice between public and private elements in the design of the inspection bodies. Finally, for bodies outside the EC, Article 10 does not mandate compliance with EC standards, but also allows compliance with equivalent international standards.

490. Accordingly, Australia's allegation that Regulation 2081/92 "leaves no leeway" for the design of inspection structures is unsupported by fact. Indeed, Australia does not explain what specific problems it has with the principles and objectives set out in Article 10 of Regulation 2081/92. Moreover, it does not give any example for "other types of inspection mechanisms" which would be excluded by Regulation 2081/92.

491. Accordingly, Australia fails to show that the requirements relating to inspection structures are more trade-restrictive than necessary.

²²⁷ Above, para. 62.

²²⁸ Australia's FWS, paras. 249–250.

²²⁹ Australia's FWS, para. 252.

²³⁰ Above para. 50 et seq.

3. The existence of inspection structures is necessary to achieve the legitimate objectives of Regulation 2081/92

492. Indeed, it appears from Australia's submission that its real concern is not with the specific requirements for inspection structures set out in Regulation 2081/92, but rather that it considers that no inspection structures at all should be required.²³¹

493. However, this argument of Australia must be rejected. The legitimate objective of Regulation 2081/92 is the protection of geographical indications. Geographical indications within the meaning of Article 22.1 TRIPS relate to goods that have "a given quality, reputation or other characteristic" essentially attributable to their geographical origin.

494. The objective of the inspection procedures foreseen in Regulation 2081/92 is to ensure that products using a protected geographical indication do comply with the product specifications, and therefore have the "quality, reputation or other characteristic" which justifies this protection.

495. The existence of such inspection procedures is beneficial both to consumers and to producers. Through the existence of inspection regimes, consumers have a higher degree of assurance that a product using a specific geographic indication will indeed comply with their expectations. This in turn will increase the value of the geographical indication, and thereby benefit the producers which produce in accordance with the product specifications.

496. The EC notes that as regards certification marks, the United States has also recognised that some form of control of the proper use of the name may be necessary, and that this cannot be simply left to the user of the mark.²³²

When a geographic term is used as a certification mark, two elements are of basic concern: first, preserving the freedom of all persons in the region to use the term and, second, preventing abuses or illegal uses of the mark which would be detrimental to all those entitled to use the mark. Normally a private individual is not in the best position to fulfill these objectives satisfactorily. The government of a region would be the logical authority to control the use of the name of the region. The government, either directly or through a body to which it has given authority, would have power to preserve the right of all persons and to prevent abuse or illegal use of the mark.

497. Australia has argued that inspection structures might not be necessary where there is only one producer, for instance where there is only one occupant of the geographical area where the good can be produced.²³³ The EC does not agree with this argument. Even where there is only one producer, the expectations of consumers should still be protected. In fact, a monopolistic situation might require inspections even more strongly than where several producers produce a good protected by a geographical indication.

498. Australia has also argued that other systems of protection of geographical indications might achieve the same objective, and has referred in particular to the application of unfair competition law. The EC does not consider this convincing. The EC does not contest that Members are free to implement Article 22 TRIPS through different systems of protection. This follows explicitly from

²³¹ Australia's FWS, para. 255 et seq.

²³² IP/C/W/117/Add.3, p. 10, 1 December 1998 (emphasis added).

²³³ Australia's FWS, para. 254.

Article 1.1 TRIPS, according to which Members shall be free to determine the appropriate method of implementing the provisions of the Agreement within their own legal system.

499. However, Article 1.1 TRIPS also provides that Members may implement in their law more extensive protection than is required by the TRIPS, provided that such protection does not contravene the provisions of the TRIPS. By establishing a specific system for the protection of geographical indications, the EC has established a system which grants more extensive protection, in respect of geographical indications, both to consumers and producers. This discretion left to the EC under Article 1.1 TRIPS cannot be limited on the basis of Article 2.2 TBT Agreement.

500. The requirements regarding inspection structure are an indispensable part of the EC system for the protection of geographical indications. It is therefore necessary to achieve the legitimate objectives of Regulation 2081/92.

501. Accordingly, Regulation 2081/92 is fully compatible with Article 2.2 TBT Agreement.

IX. CLAIM 39, 40: THE EC MEASURE IS COMPATIBLE WITH ARTICLE 65.1 TRIPS AND ARTICLE XVI:4 WTO

502. The United States has claimed that the EC has not fulfilled its obligations under Article 65.1 TRIPS.²³⁴ Similarly, Australia has claimed that the EC has not complied with its obligations under Article XVI:4 WTO.²³⁵

503. Both claims are dependent on substantive claims discussed above. Since these claims are unfounded, the consequential claims under Article 65.1 TRIPS and XVI:4 WTO are equally unfounded.

X. CONCLUSION

504. For the reasons set out in this submission, the EC requests the Panel:

- to find that the claims and the measures specified in Section II are outside its terms of reference;
- to reject all the claims within its terms of reference.

²³⁴ US FWS, para. 190.

²³⁵ Australia's FWS, para. 267.

ANNEX B-3**ORAL STATEMENT OF THE EUROPEAN COMMUNITIES
FIRST SUBSTANTIVE MEETING**

(23 June 2004)

Mr Chairman, distinguished Members of the Panel,

1. The European Communities (the "EC") welcomes this opportunity to submit its views in this dispute. The EC has provided a comprehensive response to the complainants' claims in its first written submission. In this statement we will limit ourselves to outline briefly our main arguments.

2. I will first recall a number of objections raised by the EC in connection with the coverage of the terms of reference of the Panel. I will then address the complainants' claims that Regulation 2081/92 diminishes the legal protection of trademarks, contrary to Articles 16, 20, 24.5 and several provisions of Part III of the TRIPS Agreement. I will then turn to the complainants' claims that the EC measure is inconsistent with the obligation to protect geographical indications under Article 22.2 of the TRIPS Agreement.

3. Following that, my colleague, Mr Martenczuk, will discuss the claim that Regulation 2081/92 is inconsistent with the national treatment obligations under the GATT and the TRIPS Agreement. He will then respond to the US claims that Regulation 2081/92 is inconsistent with the obligation to provide most-favoured nation treatment under those two agreements. To conclude, he will address Australia's claims that Regulation 2081/92 is inconsistent with the TBT Agreement.

I. TERMS OF REFERENCE

4. At the outset, we would like to stress that the Panel should consider only those claims which are properly within its terms of reference.

5. First of all, certain claims of Australia, in particular those regarding the right of objection, concern versions of Regulation 2081/92 which had already been repealed at the time that the Panel was established. In addition, the complainants have also referred to certain measures which were not yet adopted at the time that the Panel was established. The EC has submitted that such measures which were no longer, or not yet, in existence at the time when the Panel was established are not within the terms of reference of the Panel.

6. Moreover, a number of claims raised by the complainants in their first written submissions are based on WTO provisions that were not cited in their panel requests. For this reason, the Australian claims made under Article 4 of the Paris Convention and Articles 43 to 49 of the TRIPS Agreement are outside the Panel's terms of reference. The same is true of the complainants' claims under Article 2.2 of the Paris Convention.

II. REGULATION 2081/92 DOES NOT DIMINISH THE LEGAL PROTECTION OF TRADEMARKS

7. The Complainants have raised numerous claims (we have counted as many as fourteen) to the effect that the registration of geographical indications under Regulation 2081/92 diminishes the legal protection of trademarks. The complainants' arguments could suggest to the Panel that the registration of confusing geographical indications is a frequent occurrence in the EC, which should be a cause of immediate and serious concern to all WTO Members. That suggestion is totally unfounded.

8. As of the date of establishment of this Panel, the EC authorities had registered more than 600 geographical indications. The complainants have never alleged that any of those geographical indications has resulted in a likelihood of confusion with any prior registered trademark, let alone with a trademark owned by a US or by an Australian national. The complainants' claims, all fourteen of them, are purely theoretical. They are based on supposed "systemic" concerns. Those concerns, however, have not prevented the complainants from enacting in their own statute books legislation which is less protective of the rights of trademark owners than the EC measure that they attack in this dispute.

A. ARTICLE 16.1 OF THE TRIPS AGREEMENT

1. The issue of "co-existence"

9. Both Australia and the United States claim that Article 14(2) of Regulation 2081/92 is inconsistent with Article 16.1 of the TRIPS Agreement in that it allows the "co-existence" of a later confusing geographical indication and a prior registered trademark.

10. As we have shown, this claim is unfounded for several reasons.

11. First, this claim is wrong as a matter of fact. Because of the registrability criteria provided under EC trademark law, the risk of confusion between trademarks and geographical indications is very limited. To the extent that there subsists any such risk, the problem is addressed adequately by Article 14(3) of Regulation 2081/92. The complainants have mischaracterized that provision. Article 14(3) is not a "narrow exception". The terms of Article 14(3), if properly interpreted, are sufficient to prevent the registration of any confusing geographical indications.

12. 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.

13. Second, in any event, the complainants' interpretation of Article 16.1 is wrong as a matter of law. The complainants' claim rests on a misconception of the relationship between trademarks and geographical indications. The TRIPS Agreement recognises geographical indications as intellectual property rights, on the same level as trademarks. It confers no superiority to trademarks over geographical indications. Nor are the provisions of Part II, Section 3, "exceptions" to Article 16.1. There is no hierarchy between them. In an attempt to establish the superiority of trademarks over geographical indications, the complainants have emphasised the exclusivity of trademarks. But from this it does not follow that trademarks must prevail over geographical indications. Geographical indications are also exclusive rights.

14. The boundary between a Member's right to protect geographical indications and its obligation to protect trademarks is not established in Article 16.1. It is defined in Article 24.5 of the TRIPS Agreement. Article 14(2) of Regulation 2081/92 is fully consistent with Article 24.5, which provides that Members shall not prejudice "the right to use a trademark". Had the drafters meant to exclude the co-existence of trademarks and later geographical indications, they would have provided instead that

Members shall not prejudice "the *exclusive* right to use a trademark". Furthermore, if Article 24.5 did not allow co-existence, the protection of geographical indications would become pointless whenever there is a grandfathered trademark. Indeed, why protect a geographical indication against illegitimate uses by third parties if the legitimate users cannot use it themselves? Yet, Article 24.5 envisages such protection even in the presence of grandfathered trademarks.

15. Co-existence may not be a perfect solution, but then there is no such perfect solution. Co-existence is, nonetheless, a more reasonable solution than a rigid application of the first-in-time rule, because when comparing trademarks and geographical indications one is not comparing apples with apples. Trademarks and geographical indications are distinct intellectual property rights, each with a different subject matter and a different function. Moreover, the co-existence of intellectual property rights is by no means an unusual solution. Several other provisions of the TRIPS Agreement provide expressly for co-existence. The same is true of the law of other Members, including the United States itself.

16. The following example, drawn from the US own practice, illustrates the unreasonable consequences of the interpretation put forward by the complainants in this dispute. Napa Valley is a famous geographical indication for wine. Prior to its official recognition by the US authorities, the term "Napa" had been registered as part of several trademarks, some of which were not used for wine originating in that region. On the complainants' interpretation, the owners of those trademarks should be entitled to prevent the winemakers of Napa Valley from using that term in order to describe the origin and the characteristics of their wine. This result would be manifestly inequitable. And, indeed, the US authorities seem to agree. The applicable regulations reserve the term "Napa Valley" exclusively for the wine originating in that region. By way of exception, prior trademarks including that name are allowed to "co-exist" with that geographical indication, subject to certain labelling requirements. This solution is similar to that provided under Regulation 2081/92. The EC, therefore, fails to understand why the United States has considered it necessary to bring this claim against Regulation 2081/92.

17. Third, irrespective of whether the co-existence of geographical indications and earlier trademarks is envisaged by Article 24.5 of the TRIPS Agreement, the EC is required to maintain such co-existence by virtue of Article 24.3, a "stand-still" provision that prohibits Members from diminishing the level of protection of geographical indications that existed at the time of entry into force of the WTO Agreement.

18. Finally, even assuming that Article 14(2) of Regulation 2081/92 were *prima facie* inconsistent with Article 16.1, it would be justified as a "limited exception" to the trademark owner's exclusive rights under Article 17 of the TRIPS Agreement.

2. Article 16.1 does not confer a right of objection

19. Australia (but not the United States) also claims that Regulation 2081/92 is inconsistent with Article 16.1 of the TRIPS Agreement in that it restricts the grounds on which trademark owners may object to the registration of a geographical indication and does not ensure that objections from trademark owners are considered by the Committee.

20. These claims are based on a mistaken premise. Contrary to Australia's assumption, Article 16.1 does not confer to trademark owners a right of objection. The wording of Article 15.5 and 62.4 of the TRIPS Agreement is unequivocal in this respect. Members may, but are not required to, make available opposition procedures. In any event, as a matter of fact, Article 7(4) of Regulation 2081/92 does not limit the grounds of objection in the manner alleged by Australia. Nor is it correct that the Committee is the "ultimate decision-maker" under Regulation 2081/92. Furthermore, while

Member States are not required to forward all objections to the Commission, their decisions are not discretionary and may be subject to judicial review.

B. ARTICLE 20 OF THE TRIPS AGREEMENT

21. Australia (but not the United States) claims that, by requiring the co-existence of an existing trademark and a later geographical indication, Article 14(2) of Regulation 2081/92 "encumbers unjustifiably" the use of the trademark, thereby violating Article 20 of the TRIPS Agreement.

22. As we have shown, Australia has misunderstood the purpose and the scope of Article 20. That provision is not concerned with the issue of exclusivity (i.e. *who* has the right to use a sign). Instead, Article 20 addresses the distinct issue of which requirements may be imposed upon the trademark right holder with respect to the use of *his* own trademark. As described in our first written submission, on Australia's interpretation, Article 20 would overlap and conflict with Article 16. The three examples of "special requirements" included in its first sentence confirm beyond doubt that Article 20 does not address the issue of exclusivity.

C. ARTICLE 24.5 OF THE TRIPS AGREEMENT

23. Australia (but, again, not the United States) claims that Article 14(1) of Regulation 2081/92 is inconsistent with Article 24.5 of the TRIPS Agreement because it does not afford the right of priority provided in Article 4 of the Paris Convention (1967).

24. As the EC has already explained, Article 4 of the Paris Convention was not identified in Australia's Panel request and is therefore outside the terms of reference. Moreover, this claim is insufficiently argued and difficult to understand. In so far as the EC understands it, Australia's claim is patently flawed. Article 24.5 requires to afford the priority right of Article 4 of the Paris Convention (1967) to those applications that are "grandfathered" by virtue of that provision. But Article 4 of the Paris Convention (1967) cannot be applied in order to determine whether an application is "grandfathered".

D. PART III OF THE TRIPS AGREEMENT

25. Australia and the United States claim that Regulation 2081/92 is inconsistent with numerous provisions of Part III of the TRIPS Agreement because it does not afford to trademark right holders the enforcement rights stipulated in those provisions.

26. These claims are unfounded because Part III of the TRIPS Agreement does not apply to Regulation 2081/92.

27. Regulation 2081/92 lays down an administrative procedure for the acquisition of geographical indications via a system of registration. It does not purport to regulate the procedures for enforcing trademark rights. Those procedures are provided in the trademark laws, and related civil and criminal procedural laws, of the EC and of its Member States. Those laws are not within the terms of reference of the Panel.

28. The TRIPS Agreement draws a clear distinction between, on the one hand, the procedures for the "enforcement" of intellectual property rights, which are provided in Part III, and, on the other hand, the "procedures for the acquisition and maintenance of intellectual rights and related *inter partes* procedures", which are dealt with in Part IV. The procedures provided in Regulation 2081/92 fall clearly within the second category and are subject exclusively to Part IV, and not to Part III.

29. The granting of an intellectual property right in accordance with the domestic law of each Member is not an "infringement" and, therefore, is not subject to Part III of the TRIPS Agreement. The subsequent use of a validly granted intellectual property right in conformity with the domestic laws of a Member is also not an "infringement". Requiring Members to provide judicial "enforcement" procedures against acts that are consistent with their own domestic laws, but are inconsistent with Part II of the TRIPS Agreement, would be as much as requiring them to give direct effect to the WTO Agreement in their domestic legal order. The EC would be surprised if the complainants agreed with that proposition.

30. Furthermore, applying the provisions of Part III to the procedures for the acquisition of intellectual property rights, such as those regulated in Regulation 2081/1992, would render redundant many of the provisions of Part IV and give rise to conflicts between Part III and Part IV.

31. Moreover, it would have unacceptable results for most Members. It would mean, for example, that intellectual property rights would have to be conferred always by a judicial body in accordance with judicial procedures, rather than by an administrative body in accordance with administrative procedures, as is currently the case in most Members, including Australia and the United States. The EC does not believe, for instance, that the complainants' own systems of registration of trademarks, which are operated by an administrative body, would comply with the provisions of Part III.

III. THE EC MEASURE IS CONSISTENT WITH THE OBLIGATION TO PROVIDE PROTECTION TO GEOGRAPHICAL INDICATIONS UNDER ARTICLE 22 OF THE TRIPS AGREEMENT

32. Australia and the United States have submitted very different claims under this heading.

33. Australia's claims are, once again, insufficiently argued and difficult to understand. Australia suggests that the alleged violation would arise from the fact that there is no "Community-wide system of protection" outside Regulation 2081/92. However, there is no basis in Article 22.2, or anywhere else in the TRIPS Agreement, for the proposition that protection must be provided at any particular territorial level. Again, the EC would be surprised if it were the considered view of Australia, a federal state, that the WTO Agreement may affect the constitutional allocation of competencies within Members.

34. For its part, the United States claims that Regulation 2081/92 is inconsistent with Article 22.2 because it fails to provide to "interested parties" established outside the EC the means to prevent the acts specified in that provision. As we have shown in our first written submission, the grounds alleged by the United States are either incorrect, as a matter of EC law, or irrelevant under WTO law.

35. In any event, Regulation 2081/92 is not the only means made available by the EC and its Member States. Additional means of protection are provided in:

- Directive 2000/13/EC on the labelling, presentation and advertising of foodstuffs and implementing legislation of the Member States;
- Directive 84/450 on misleading advertising and implementing legislation of the Member States;
- the Trademarks Directive and implementing legislation of the Member States;
- the Community Trademark Regulation; and

- the unfair competition laws of the Member States.

36. The United States was aware of the above measures, which were specified in the responses provided by the EC and its Member States in the context of the review under Article 24.2 of the TRIPS Agreement and have been notified to the WTO.

37. The means of protection provided by these measures are sufficient in themselves to implement the EC's obligation under Article 22.2. In any event, they are outside the terms of reference of the Panel.

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

38. The complainants have raised a large number of claims alleging that Regulation 2081/92 is incompatible with national treatment obligations under the TRIPS Agreement or under the GATT, and with the prohibition on requirements of domicile or residence in Article 2.2 of the Paris Convention.

39. As the EC has shown in its written submission, these claims are unfounded both in fact and in law. In particular, many of the claims of the complainants seem to be based on misunderstandings of the content of Regulation 2081/92. The EC will now briefly recall its main arguments regarding the most salient of these claims.

A. NATIONAL TREATMENT UNDER THE TRIPS AGREEMENT

1. The conditions for the registration of geographical indications from third countries

40. The complainants have argued that Regulation 2081/92 violates the national treatment obligation of the TRIPS Agreement by imposing a condition of reciprocity and equivalence for the registration of geographical indications relating to areas located outside the EC.

41. At the outset, the EC would like to point out that neither complainant has identified an example where the EC has refused to register a geographical indication from the United States or Australia – or from any other WTO Member, for that matter – on account of conditions of reciprocity and equivalence. In fact, there has never been an application for registration of a geographical indication from the United States or Australia. Like many other claims in the present dispute, it appears therefore that this claim is purely theoretical in nature.

42. More importantly still, the claim is based on a misinterpretation of the Regulation. As the EC has set out in its first written submission, the EC does not impose conditions of reciprocity and equivalence on the registration of geographical indications from other WTO Members. Article 12 (1) of Regulation 2081/92, on which the complainants have based their arguments, clearly applies "without prejudice to international agreements", including the WTO Agreements.

43. This important element of Article 12 (1) has been completely ignored by the complainants. Under the TRIPS Agreement, WTO Members are obliged to provide protection to geographical indications. This is why the EC does not apply conditions of reciprocity and equivalence to other WTO Members. Moreover, other provisions of Regulation 2081/92, in particular those regarding the right of objection, similarly distinguish the situation of WTO Members from that of other third countries. Accordingly, it should be clear that WTO Members are not in the same situation as other third countries with respect to the registration of geographical indications relating to areas on their territory.

44. Accordingly, the registration of geographical indications from other WTO Members is subject to exactly the same conditions as the registration of geographical indications from the EC. As the EC has confirmed in its written submission, this means that geographical indications must comply with the same requirements regarding product specifications as geographical indications from the EC. Moreover, just like for EC indications, there must be inspection structures in place that ensure that the products comply with the product specifications for the specific geographical indication in question.

45. In their written submission, the complainants have not made clear whether they also consider these product-specific requirements to be in violation of national treatment obligations. In case they intended such a challenge, the EC would like to affirm that this would be manifestly unfounded. The very definition of a geographical indication is that products must have a certain quality, reputation, or other characteristics attributable to their geographical origin. The regulation simply intends to ensure that products using a protected name indeed comply with these requirements, and it does so in a way which does not distinguish between domestic and foreign products. The application of these product-specific conditions does therefore not constitute less favourable, but indeed equal treatment.

46. As a final point, the EC would like to recall that Article 3.1 TRIPS Agreement, just like Article 2.1 of the Paris Convention, requires national treatment as between nationals, i.e. natural or legal persons. National treatment under the TRIPS Agreement therefore differs in an important respect from Article III:4 GATT, which requires national treatment as between foreign and domestic products. It is striking that in their written submissions, the complainants do not acknowledge this important difference, and indeed provide no indication of how they consider that Regulation 2081/92 discriminates between nationals.

47. Contrary to the assumption of the complainants, the conditions for registration of geographical indications do not depend on nationality. The regulation contains parallel procedures for the registration of geographical indications, depending on whether the area to which the indication is related is located inside or outside the EC. This is a question which may concern the origin of the product, but which has nothing to do with the nationality of the producer. The nationality of the producers is simply of no relevance for the registration of geographical indications. Accordingly, for this reason also, the Regulation cannot be said to discriminate between EC and non-EC nationals.

48. For all these reasons, the conditions for registration of geographical indications are fully compatible with national treatment obligations.

2. The right of objection

49. The complainants have also claimed that Regulation 2081/92 violates the national treatment obligation under the TRIPS Agreement by subjecting the right to object to a registration to conditions of reciprocity and equivalence.

50. Once again, this claim is based on an incorrect interpretation of Regulation 2081/92. As the EC already has set out, Article 12d (1) of Regulation 2081/92 gives a right to object to any person that "is from a WTO Member or a third country recognised under the procedure provided for in Article 12 (3)". It is therefore clear that WTO Members are not subject to the procedure of Article 12 (3) applicable to other third countries. The same applies also under Article 12b (2) with respect to objections against the registration of geographical indications from outside the EC.

51. Moreover, the claim is also legally unfounded. Once again, the complainants fail to establish that there is discrimination between nationals. Article 12d (1) of the Regulation refers to persons resident or established outside the EC, regardless of their nationality. It cannot simply be assumed that the reference to "nationals" in the national treatment provisions of the TRIPS Agreement also applies

to persons who are domiciled or established abroad, regardless of their nationality. In fact, conditions regarding domicile or establishment are the subject of Article 2.2 Paris Convention, on the basis of which the complainants have formulated separate claims. It is not clear to the EC how these claims are consistent with the complainant's apparent view that Article 3.1 TRIPS Agreement and 2.1 of the Paris Convention also provide for national treatment between domestic and foreign residents.

3. The transmission of applications and objections

52. The complainants have argued that the requirement that applications for the registration of geographical indications must be transmitted by the government of the country where the geographical area is located, constitutes a violation of national treatment obligations. Moreover, they have raised the same claim also with respect to the transmission of statements of objection.

53. The EC considers this claim to be unfounded. First of all, the requirement of transmission through governmental channels applies to domestic and foreign geographical indications alike. Accordingly, the Regulation cannot be said to discriminate between nationals, nor between foreign and domestic geographical indications.

54. More importantly still, governments fulfil an important role in the registration process. It is clear that the government in whose territory the geographical area is located to which a geographical indication relates, is better placed than any other to verify the admissibility of applications relating to such an area. It is rather striking to the EC that the complainants seem to consider that the protection in one country of a geographical indication related to an area located in the territory of another country could be achieved without any cooperation between the two countries concerned. Moreover, it does not appear that the responsibilities of governments in the transmission of applications and objections are unduly burdensome or difficult for another WTO Member to fulfil.

55. In fact, as the complainants themselves have indicated in their written submission, the real problem is essentially their absence of "inclination" to cooperate in the process. However, this unwillingness to cooperate is not attributable to the Community, but is the choice of the complainants. The complainants should therefore not be permitted to label as less favourable treatment by the EC a situation that would exclusively be due to their own attitude.

4. Indication of the country of origin for homonymous names

56. The United States has argued that Article 12 (2) of Regulation 2081/92 provides less favourable treatment to nationals because it requires in certain circumstances the indication of the country of origin.

57. Once again, this claim is theoretical in nature, and is moreover based on a misinterpretation of the Regulation. First of all, it should be relatively clear that Article 12 (2) is not a provision which requires the origin labelling of protected products generally, but is a provision which applies only in very specific circumstances, namely where there are identical protected names from the EC and a third country.

58. Secondly, the provision, when understood properly, in no way discriminates between foreign and domestic geographical indications, let alone nationals. It simply requires that the country of origin be indicated in order to avoid confusion and to achieve a clear distinction in practice. Logically, this requirement will normally be applied to whichever name is protected later, regardless of whether this is the EC or the foreign indication. Accordingly, Article 12 (2) of the Regulation treats foreign and domestic products exactly alike.

5. The historical claims of Australia

59. Australia has formulated a number of claims also regarding the alleged absence of a right of objection under Regulation 2081/92 before it was amended through Regulation 692/2003, which entered into force on 8 April 2003.

60. The EC finds it astonishing to have to defend itself against claims which are formulated essentially in the past tense. The objective of WTO dispute settlement is to solve actual disputes and to achieve compliance with WTO obligations. It is not the object of WTO dispute settlement to dwell on historical grievances, whether real or perceived. As the EC has already stated, it therefore considers that Australia's claims relating to measures no longer in force at the time of the Panel's establishment are outside the Panel's terms of reference.

61. However, since Australia has raised these historical claims, the EC nonetheless would like to take the opportunity to correct the historical facts. Australia has referred to the simplified procedure which used to be provided for in Article 17 of Regulation 2081/92, and has claimed that under this procedure, a right of objection was available to EC residents which was not available to foreign residents. This claim is historically incorrect. As the EC has set out in its first written submission, under Article 17 of Regulation 2081/92, the right of objection was explicitly excluded. Therefore, there existed no possibility for objection, regardless of whether the person in question was an EC or a foreign resident. Australia's claims of unequal treatment are already for this reason deprived of any historical basis.

62. The EC notes furthermore that in its submission, Australia appears to have made its national treatment claims not just with respect to the Regulation itself, but also with respect to the over 600 registrations of individual geographical indications carried out until the entry into force of Regulation 692/2003. In the view of the EC, this apparent attempt to invalidate the individual registrations is devoid of all legal basis. The registrations of the individual indications are not in violation of national treatment obligations. In reality, Australia is simply attacking the procedure that was set out in Regulation 2081/92 until its amendment through Regulation 692/2003, but which it did not challenge when it was still in force.

63. Moreover, Australia seems to forget that WTO remedies are not retroactive. Even if it had challenged Regulation 2081/92 before it was amended through Regulation 692/2003, all it could have achieved would have been the amendment of that particular measure. It could not have claimed the cancellation of the hundreds of geographical indications already registered. It seems to the EC that not having attacked Regulation 2081/92 before it was amended, Australia can certainly not claim more now than it could have claimed then.

B. PROHIBITED REQUIREMENT OF DOMICILE OR ESTABLISHMENT

64. The United States has claimed that the conditions for registration of geographical indications amount to a requirement of domicile or establishment prohibited by Article 2.2 of the Paris Convention. As the EC has already mentioned, this claim was not identified in the Panel requests, and is therefore outside the terms of reference of the Panel. Moreover, as the EC has also set out, this claim also fails on its merits.

65. In a first alternative, the United States has argued that Regulation 2081/92 imposes a requirement of domicile or establishment because it prevents a US national from registering a geographical indication relating to an area located in the US. Quite apart from the question of whether this has anything to do with domicile or establishment, the EC has already confirmed that geographical indications relating to areas in the US can be registered under Regulation 2081/92. Therefore, this claim must fail.

66. Presumably conscious of this weakness, the United States has also tried an alternative formulation of this claim. In this formulation, Regulation 2081/92 imposes a requirement of domicile or establishment because a US national could not register a geographical indication relating to an area located in the EC without some form of investment or business establishment in the EC.

67. This claim already does not do justice to the content of Regulation 2081/92. Faithful to Article 22.1 of the TRIPS Agreement, Regulation 2081/92 requires that in order to qualify for protection as a geographical indication, the product in question must possess characteristics attributable to that geographical origin and that "the production and/or processing and/or preparation" of the product must take place in the defined geographical area. Nowhere does the Regulation, nor indeed Article 22.1 of the TRIPS Agreement, impose a requirement of domicile or establishment.

68. Moreover, the implications of the United States claim are worth noting. The United States seems to believe that a US national should be allowed to register a geographical indication relating to an area in the EC regardless of whether this producer or his products have any link with that area. Taken to its logical consequence, this view of the United States would entirely undermine the protection of geographical indications as foreseen in the TRIPS Agreement. The EC regrets to have to say that this claim casts some doubt on how seriously the United States takes the conditions for the protection of geographical indications.

69. Finally, both complainants have also alleged that the conditions for objecting to the registration of geographical indications impose a requirement of domicile or establishment. These claims seem to be based on the assumption that residents of WTO Members cannot object under the Regulation. As the EC has already stated, that is not so. Accordingly, this claim is unfounded.

C. NATIONAL TREATMENT UNDER ARTICLE III:4 GATT

70. The complainants have raised a number of their national treatment claims also under the GATT, namely as regards the conditions of registration, the transmission of applications, and the labelling of homonymous geographical indications.

71. As the EC has already set out, none of these elements of Regulation 2081/92 constitute less favourable treatment, regardless of whether one refers to nationals or to goods. The EC will therefore not restate its arguments in this respect, which equally apply to Article III:4 GATT.

72. The EC would merely signal one additional question regarding the issue of origin labelling, which the Panel would have to consider should it come to the conclusion that, contrary to the EC's submission, Article 12 (2) of the Regulation does involve discrimination between domestic and foreign products. When they argue that there is a violation of national treatment under the GATT of other agreements, the complainants seem to have forgotten the existence of Article IX GATT, which is, however, the specific provision in WTO law concerning origin marking. Remarkably, Article IX:1 GATT does specifically contain a most-favoured nation rule in respect of origin marking, but does not contain a national treatment rule. If Article IX:1 GATT is to have any useful meaning at all, then it must be that it contains a specific – and exclusive – set of disciplines for origin marking. Accordingly, national treatment obligations would not seem to apply to origin marking.

73. As a final point on national treatment under the GATT, and only in case the Panel should come to the conclusion that Regulation 2081/92 does entail a difference in treatment between domestic and foreign products, the EC considers that the challenged elements of Regulation 2081/92 are justified by Article XX (d) GATT. All relevant aspects of the Regulation, and in particular the conditions for the registration of geographical indications, are necessary to secure compliance with the conditions for the registration and protection of geographical indications.

74. In conclusion, Regulation 2081/92 is therefore compatible with national treatment obligations under the GATT.

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

75. The United States has also claimed that Regulation 2081/92 is incompatible with the obligation to provide most-favoured-nation treatment under the TRIPS Agreement and under the GATT. In this respect, the US has claimed that a) the EC discriminates among non-EC WTO Members by imposing conditions of reciprocity and equivalence and b) that the EC Member States grant each other more favourable treatment than they accord to non-EC WTO Members.

A. THE EC DOES NOT DISCRIMINATE AMONG WTO MEMBERS

76. The first of these US MFN claims is already clearly unfounded in fact and in law.

77. First of all, the US claim is based on the assumption that the EC applies a condition of reciprocity and equivalence to WTO Members. As the EC has already stated, it does not apply such a condition to WTO members. Therefore, WTO Members are treated as well as any other in respect of the conditions of registration of geographical indications.

78. Second, the conditions which the Regulation requires to be fulfilled for registration, notably the requirement of product specifications and inspection structures, apply without discrimination to all foreign products. Accordingly, they cannot be argued to be incompatible with most-favoured-nation principles.

79. Third, even if Article 12 (1) of Regulation 2081/92 did apply to WTO Members, which it does not, it is worth pointing out that this provision does not yet confer any advantage on any third country. It merely sets out the abstract conditions for rendering the Regulation applicable to non-WTO third countries. These conditions do not distinguish between third countries, and can therefore not be said to confer an advantage on any particular country.

80. Finally, as regards most-favoured-nation treatment under the TRIPS Agreement, it should be recalled that unlike Article I:1 GATT, Article 4 TRIPS requires discrimination between nationals, not between products. However, Regulation 2081/92 does not refer to nationality, but to the question of where the geographical area is located. As the EC has said already, this may have something to do with the origin of the product, but it has nothing to do with the nationality of the producer.

81. For all these reasons, this claim of the United States should be rejected.

B. REGULATION 2081/92 DOES NOT INVOLVE THE GRANTING OF ADVANTAGES BETWEEN MEMBER STATES

82. The second claim of violation of Article 4 TRIPS Agreement by the United States is a rather curious one. In essence, the United States is arguing that "through Regulation 2081/92", EC Member States are granting "each other" advantages, which are not available to other WTO Members, and are thereby violating Article 4 TRIPS.

83. In the view of the EC, this claim is entirely unfounded. To begin with, as the EC has already set out, the conditions for the registration of geographical indications do not discriminate between geographical indications from the EC and from WTO countries. Accordingly, the EC does not understand which are the specific advantages which the US claims are being withheld from it.

84. Moreover, Article 4 TRIPS refers to advantages which are granted to the "nationals of another country". Regulation 2081/92 does not grant any advantage to nationals of "another country". The EC is a founding member of the WTO. When it adopts a measure which harmonises the law within the EC, it does therefore neither grant its Member States any advantages, nor do its Member States grant each other advantages.

85. As the United States knows perfectly well, Regulation 2081/92 is a measure of the EC. This is why the United States has correctly brought this case against the EC, and not against its Member States. The US claim that "through Regulation 2081/92", Member States are granting each other advantages is therefore entirely artificial and in contradiction with the United States' own actions in the present dispute settlement proceedings.

VI. REGULATION 2081/92 IS CONSISTENT WITH OBLIGATIONS UNDER THE TBT AGREEMENT

86. Australia has alleged that Regulation 2081/92 is inconsistent with the TBT Agreement in two respects: first, it has claimed that the requirement to indicate the country of origin in Article 12 (2) of the Regulation is inconsistent with Article 2.1 TBT Agreement; and second, it has claimed that Articles 4 and 10 of Regulation 2081/92 are incompatible with Article 2.2 TBT Agreement to the extent that they require the existence of inspection structures.

A. REGULATION 2081/92 IS NOT A TECHNICAL REGULATION

87. Article 2 of the TBT Agreement applies only to technical regulations. The claims raised by Australia under the TBT Agreement must fail already because none of the provisions of Regulation 2081/92 challenged by Australia constitutes a technical regulation within the meaning of the TBT Agreement.

1. Article 12 (2) of Regulation 2081/92 is not a technical regulation

88. As the EC has already set out in its written submission, Article 12 (2) is not a technical regulation within the meaning of the TBT Agreement.

89. First of all, Article 12 (2) does not apply to all agricultural products and foodstuffs covered by the Regulation, but only to products in the specific situation envisaged in the provision, namely where a protected name from the EC is identical to a protected name from a third country. Accordingly, Article 12 (2) does not apply to identifiable products.

90. Moreover, Article 12 (2) does not lay down product characteristics. First of all, the provision does not itself lay down how any specific product should be labelled. As the EC has set out in its written submission, where the situation envisaged in Article 12 (2) occurs, the labelling requirement will normally be part of the product specifications. In addition, the indication of the country of origin does not constitute a labelling requirement as it applies "to a product, process or production method".

91. Finally, it should also be noted that the possibility for registration under Regulation 2081/92 is a right, but is not a condition for marketing of products in the EC. The registration process is entirely voluntary. Accordingly, Regulation 2081/92 cannot be held to lay down product characteristics with which compliance is mandatory.

2. Articles 4 and 10 of Regulation 2081/92 are not a technical regulation

92. With its claim regarding Articles 4 and 10 of Regulation 2081/92, Australia is challenging the requirement that inspection structures must exist. As follows from Article 10(1) of Regulation 2081/92, the objective of inspection structures is to ensure that agricultural products and foodstuffs bearing a protected name meet the requirements laid down in the specification.

93. As the EC has set out in its first written submission, this requirement of the existence of inspection structures cannot be regarded as constituting a technical regulation. Under the TBT Agreement, a technical regulation is a measure which lays down product characteristics. The TBT Agreement carefully distinguishes technical regulations from conformity assessment procedures, which are used to determine whether the requirements contained in technical regulations are met. Whereas technical regulations are dealt with in Articles 2 and 3 of the TBT Agreement, the WTO obligations regarding conformity assessment procedures are set out separately in Articles 5 to 9 of the TBT Agreement.

94. Even if the product specifications, with which the inspection structures must ensure conformity, were to be regarded as a technical regulation, then the inspection structure itself could still not be regarded as a technical regulation falling under Article 2 of the TBT Agreement. Rather, it would have to be regarded as a conformity assessment procedure falling under Articles 5 to 9 of the TBT Agreement. However, Australia has not referred to these provisions in its panel request, so that such a claim would be outside the terms of reference of the panel.

95. For this reason, Articles 4 and 10 of Regulation 2081/92 cannot be regarded as technical regulation falling under Article 2 of the TBT Agreement.

B. ARTICLE 12 (2) OF REGULATION 2081/92 IS NOT INCOMPATIBLE WITH ARTICLE 2.1 OF THE TBT AGREEMENT

96. Australia has claimed that the requirement to indicate the country of origin in Article 12 (2) of Regulation 2081/92 violates the national treatment provision in Article 2.1 TBT Agreement. In the view of the EC, even if the Panel came to consider that Article 12 (2) constitutes a technical regulation, this claim would have to fail.

97. As the EC has said earlier, Article 12 (2) does not treat EC and foreign geographical indications differently. It merely requires that where there are identical protected names from the EC and from a third country, the country of origin must be indicated. This requirement may affect the EC or the third country geographical indication, whichever is registered later. There is therefore perfect equality of treatment between domestic and foreign geographic indications.

98. Australia has criticised the fact that Article 6 (6) of Regulation 2081/92 does not contain the same requirement as regards identical geographical indications from within the EC. In the view of the EC, this comparison is not pertinent. First of all, the EC does not see how Australian products can be disadvantaged by the way in which conflicts between homonyms from within the EC are being resolved. Moreover, it should be noted that Article 6 (6) deals with a larger set of potential conflicts than Article 12 (2). In particular, it also may concern conflicts between geographical indications from within the same Member State. It is therefore not surprising that the provision requires a "clear distinction in practice", rather than requiring the indication of the country of origin in all cases.

C. ARTICLES 4, 10, AND 12 (1) OF REGULATION 2081/92 ARE NOT INCOMPATIBLE WITH ARTICLE 2.2 OF THE TBT AGREEMENT

99. Finally, even if the Panel considered that Articles 4 and 10 constituted a technical regulation, there would be no violation of Article 2.2 TBT Agreement.

100. Article 2.2 TBT Agreement provides that technical regulation must not be more trade-restrictive than necessary to fulfil a legitimate objective. The EC submits that the requirement that inspection procedures must exist to ensure that products bearing a protected name comply with the product specifications is necessary to fulfil the legitimate objectives of Regulation 2081/92.

101. The legitimate objective of the inspection procedures foreseen in Regulation 2081/92 is to ensure that products using a protected geographical indication do comply with the product specifications, and therefore have the "quality, reputation or other characteristics" which justify this protection. The existence of such inspection procedures is beneficial both to consumers and to producers.

102. The existence of such inspection structures is also in no way disproportionate to this objective. First of all, as the EC has set out in its written submission, Article 10 of Regulation 2081/92 limits itself to fixing the general principles, and leaves a maximum of flexibility as regards the specific design of the inspection procedures. Despite its complaints that Article 10 is unduly restrictive and obliges other WTO Members to follow an "EC model", Australia has not actually explained what specific type of inspection structures it envisages which would be ruled out by Article 10 of Regulation 2081/92.

103. In reality, Australia's argument seems to be that the existence of inspection structures should be required at all. However, this does not seem to be compatible with the objectives of Regulation 2081/92 regarding the protection of geographical indications. In fact, Australia does not take into account the specific nature of geographical indications, which are defined as having a specific quality, reputation, or characteristics attributable to their geographical origin. It is therefore entirely appropriate that the EC provides for mechanisms which ensure that products marketed bearing a geographical indication do in fact comply with these requirements.

104. Whether there are also, as Australia argues, other systems of protection which may achieve the objective of protecting geographical indications in accordance with Article 22 TRIPS is not the question. Article 1.1 TRIPS explicitly allows each WTO member the freedom to determine how to implement the provisions of the Agreement within their legal system. Moreover, Article 1.1 also allows the WTO Members to provide more extensive protection than required by the Agreement. This is indeed what the EC has done in Regulation 2081/92. However, it would not be acceptable for third country geographical indications to take advantage of this extensive protection without complying with the same requirements as an EC indication. This would in fact not result in equal treatment, but in more favourable treatment for foreign products.

105. Accordingly, Australia's claim under Article 2.2 TBT Agreement must be rejected.

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106. Thank you for your attention. This concludes our statement. We look forward to answering any questions that the Panel may wish to ask.

ANNEX B-4**REPLIES BY THE EUROPEAN COMMUNITIES TO QUESTIONS
POSED BY THE PANEL FOLLOWING THE FIRST SUBSTANTIVE MEETING****TABLE OF WTO CASES REFERRED TO IN THE RESPONSES**

Short Title	Full Case Title and Citation
<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, DSR 2000:VI, 2995
<i>Canada – Pharmaceutical Patents</i>	Panel Report, <i>Canada – Patent Protection of Pharmaceutical Products</i> , WT/DS114/R, adopted 7 April 2000, DSR 2000:V, 2295
<i>EC – Asbestos</i>	Appellate Body Report, <i>European Communities – Measures Affecting Asbestos and Asbestos-Containing Products</i> , WT/DS135/AB/R, adopted 5 April 2001
<i>EC – Bananas III</i>	Appellate Body Report, <i>European Communities – Regime for the Importation, Sale and Distribution of Bananas</i> , WT/DS27/AB/R, adopted 25 September 1997, DSR 1997:II, 591
<i>India – Patents (US)</i>	Appellate Body Report, <i>India – Patent Protection for Pharmaceutical and Agricultural Chemical Products</i> , WT/DS50/AB/R, adopted 16 January 1998, DSR 1998:I, 9
<i>US – Corrosion-Resistant Steel Sunset Review</i>	Appellate Body Report, <i>United States – Sunset Review of Anti-Dumping Duties on Corrosion-Resistant Carbon Steel Flat Products from Japan</i> , WT/DS244/AB/R, adopted 9 January 2004.
<i>US – Section 110(5) Copyright Act</i>	Panel Report, <i>United States – Section 110(5) of the US Copyright Act</i> , WT/DS160/R, adopted 27 July 2000, DSR 2000:VIII, 3769
<i>US – Section 211 Appropriations Act</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, WT/DS176/AB/R
<i>US – Section 211 Appropriations Act</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 301 Trade Act</i>	Panel Report, <i>United States – Sections 301-310 of the Trade Act of 1974</i> , WT/DS152/R, adopted 27 January 2000, DSR 2000:II, 815

Question 1

To what extent is the Panel bound by the EC's interpretation of its own Regulation?

1. Regulation 2081/92, which is the measure at issue in the present proceedings, is an act of EC domestic law. As the Appellate Body has held in *India – Patents*, domestic law may constitute evidence of compliance or non-compliance with international obligations.¹ Accordingly, as the Appellate Body has held, a Panel may be required to determine the meaning of an act of domestic law in order to establish whether such act is compatible with WTO obligations.²

2. The Panel's approach to the interpretation of Regulation 2081/92 should therefore be governed by Article 11 of the DSU, according to which the Panel must make "an objective assessment of the facts of the case". Accordingly, the EC does not consider that the Panel is "bound" by the EC's interpretation of Regulation 2081/92.

¹ Appellate Body Report, *India – Patents*, para. 65.

² Appellate Body Report, *India – Patents*, para. 66.

3. However, the EC would like to underline that in making an objective assessment of the facts, and in particular of the meaning of Regulation 2081/92, the Panel must take due account of the fact that Regulation 2081/92 is a measure of EC domestic law. It can therefore not "interpret" Regulation 2081/92, but rather must establish the meaning of its provisions as factual elements. In this context, reference can be made to the approach described by the Panel in *US – Section 301*.³

In this case, too, we have to examine aspects of municipal law, namely Sections 301-310 of the US Trade Act of 1974. Our mandate is to examine Sections 301-310 solely for the purpose of determining whether the US meets its WTO obligations. In doing so, we do not, as noted by the Appellate Body in *India – Patents (US)*, interpret US law "as such", the way we would, say, interpret provisions of the covered agreements. We are, instead, called upon to establish the meaning of Sections 301-310 as factual elements and to check whether these factual elements constitute conduct by the US contrary to its WTO obligations. The rules on burden of proof for the establishment of facts referred to above also apply in this respect.

It follows that in making factual findings concerning the meaning of Sections 301-310 we are not bound to accept the interpretation presented by the US. That said, any Member can reasonably expect that considerable deference be given to its views on the meaning of its own law.

4. It follows from this approach that there are considerable differences between the interpretation of the WTO agreements by a Panel, and the establishment of the meaning of a challenged act of domestic law by a Panel. First of all, as a question of fact, the rules regarding the burden of proof must apply. Accordingly, the burden of proof for establishing that Regulation 2081/92 as the measure at issue has a particular meaning is on the complainants, not on the EC.

5. This is particularly important in the case of *per se* challenges against measures which have so far not been applied by the authorities of a Member. In such a case, a Member should not be held in violation of its WTO obligations unless it is established beyond doubt that the measure in fact entails the violations alleged by the complainants.

6. Second, the establishment of the meaning of an act of domestic law is not governed by the customary principles of interpretation of international law. Rather, the objective assessment of the facts requires establishing the meaning that the act will normally have within the legal order of the WTO Member in question. This means that the interpretation should be guided by the rules of interpretation customary in the legal order of such member, and taking account of the legal context of the measure in the domestic law of the Member.

7. Third, even though a Panel is not bound by the interpretation of a WTO Member of its own measure, due account must be taken of the fact that it is the authorities of this Member which must interpret and apply the measure in the domestic legal order. Therefore, as the Panel set out in *US – Section 301*, the explanations given by such Member of the meaning of its own measure must be given considerable deference.

8. This deference accorded to the author of a domestic act is also illustrated in Panel practice. When establishing the meaning of domestic measures, Panels have regularly relied on statements and explanations given by the defending party in the course of the proceedings. This is the case for instance in *US – Section 301*, where the Panel relied to an important extent on statements made by the

³ Panel Report, *US – Section 301*, para. 7.18 (footnotes omitted).

United States as regards the interpretation and application of the challenged measure.⁴ The same was also the case in *Canada – Pharmaceutical Patents*, where the Panel relied on assurances given by Canada during the proceedings.⁵ Similarly, in *US – Section 211*, the Panel relied on a US response given to the Panel in order to establish the meaning of the challenged measure.⁶

Question 2

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

9. The procedures set out in Articles 5 and 6 of Regulation 2081/92 in principle apply only to names related to geographical areas located inside the EC. The corresponding procedures for geographical indications related to geographical areas located outside the EC are contained in Articles 12a and 12b. However, these provisions also contain a number of references to specific sections of Articles 5 and 6, which to this extent are applicable to the registration of geographical indications from outside the EC.

Question 3

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?

10. The phrase "[w]ithout prejudice to international agreements" was already contained in Article 12(1) of Regulation 2081/92 as originally adopted in 1992.

11. The phrase "without prejudice to international agreements" is not in any way limited to particular specific agreements or types of agreements. Accordingly, this phrase applies both to multilateral and to bilateral agreements. Moreover, the phrase does not just apply to agreements in force at the time the Regulation was adopted, but also to agreements which were adopted subsequently.

12. At the time that Regulation 2081/92 was adopted, the GATT was one of the agreements to which the "without prejudice" clause applied. Moreover, at the time that Regulation 2081/92 was adopted, the TRIPS Agreement was in the final phases of its negotiation. It was therefore the objective that the "without prejudice" clause should also apply to the TRIPS and other WTO agreements resulting from the Uruguay Round.

13. The importance of the WTO Agreements, and notably of the TRIPS Agreement, for the interpretation and application of Regulation 2081/92 was reconfirmed by Regulation 692/2003,⁷ the 8th recital of which prominently refers to the obligations resulting from the TRIPS Agreement.

Question 4

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

⁴ Panel Report, *US – Section 301*, para. 7.125.

⁵ Panel Report, *Canada – Pharmaceutical Patents*, para. 7.99.

⁶ Panel Report, *US – Section 211*, para. 8.69.

⁷ Exhibit COMP 1h.

international agreements" covers the entire membership of the WTO? Why was this structure retained when the Regulation was amended in April 2003?

14. The EC does not consider this as unusual. First, the EC would like to point out that out of the 191 current Members of the United Nations, 48 are not Members of the WTO, including certain important countries such as Russia. Therefore, even though this group has been shrinking since the establishment of the WTO, the EC does not consider this number as "small".

15. It is also not surprising that the fundamental structure of Article 12 was not changed. When proposing to amend an act of the Council, it is a concern for the Commission to preserve the Council act to the extent that it does not require amendment. Therefore, the Commission proposal will frequently limit itself to those amendments which are strictly speaking necessary, and will leave those provisions the amendment of which is not necessary untouched.

Question 7

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?

16. No. The last sentence of Article 12 (3) of Regulation 2081/92 merely provides that where the Commission decision provided for in this provision is in the affirmative, the procedure set out in Article 12a shall apply. This does not mean that the procedure in Article 12a cannot apply in other cases.

17. As regards the reference in Article 12a (1) to Article 12 (3), the EC would like to point out that Article 12 (3) refers to the conditions set out in Article 12(1). As the EC has confirmed, by virtue of the "without prejudice" clause, these conditions do not apply to WTO Members. Accordingly, since the procedure in Article 12 (3) is inapplicable to WTO Members, so is the reference to this provision in Article 12a (1).

Question 8

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?

18. Whether the term "third country" includes WTO Members or not must be established on the basis of the wording, context, and objectives of the specific provision in question. In Article 12(1) of Regulation 2081/92, this context includes the "without prejudice" clause. Accordingly, as the EC has explained, the references to "third countries" in Article 12(1) do not include WTO Members. The same applies where a provision refers to a "third country meeting the equivalence conditions of Article 12(3)" (Article 12b[2][b]) or a "third country recognised under the procedure provided for in Article 12(3)" (Article 12d[1]), or where a provision specifically distinguishes between third countries and WTO Members. Where this is not the case, as for instance in Article 12a(1) or Article 12b(1), the reference to third countries may also include WTO Members.

Question 9

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?

19. This is due to the differences in the structure of Article 12 on the one hand, and of Articles 12b and 12d, on the other. Article 12 contains the introductory clause "without prejudice to international agreements", which made it possible not to specifically single out the position of WTO Members in the text of the provision. Articles 12b and 12d do not contain such a clause, so that it was necessary to differentiate between WTO Members and other third countries.

20. The 10th recital of Regulation 692/2003 confirms this interpretation by stating that the objective of the amendment of the provisions regarding objections was "that it should be made clear that in this matter nationals of WTO member countries are covered by these arrangements and that the provisions in question apply without prejudice to international agreements". In other words, the distinction between WTO Members and third countries was intended to have exactly the same function as the without prejudice clause in Article 12(1) of Regulation 2081/92. Given this common objective of ensuring compatibility with WTO obligations, the differences in drafting technique between Articles 12(1) and 12b and 12d appear secondary.

21. As regards the 9th recital, this recital refers to the reciprocity and equivalence conditions "as provided for in Article 12" of Regulation 2081/92. This reference of course includes the "without prejudice" clause of Article 12(1). Accordingly, the 9th recital does not concern WTO Members.

Question 10

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?

22. No (to both questions).

Question 11

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?

23. No.

Question 13

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

24. Whether the provisions of the Regulation leave the Commission a discretion or not, and the extent of such discretion, will depend on the wording of each particular provision conferring powers on the Commission. Where such provisions provide that the Commission "shall" take a certain action, the Commission would normally be obliged to take such action. Where the Regulation provides that the Commission "may" take a certain action, then the Commission would normally enjoy a discretion as to whether to take such action or not. In any case, the Commission is bound to respect and apply the terms of the Regulation.

Question 14

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?

25. The relevance of the distinction between "mandatory" and "discretionary" measures under the TRIPS Agreement is the same as under the other WTO Agreements.

26. As clarified by the Appellate Body in *United States – Carbon Steel (Japan)*⁸, panels are not required, as a preliminary jurisdictional matter, to examine whether the challenged measure is "mandatory". Rather, this issue is relevant as part of the panel's assessment of whether the measure is, as such, inconsistent with particular obligations. Accordingly, whether or not the distinction between "discretionary" and "mandatory" measures is "relevant" under the TRIPS Agreement will depend on the specific obligations imposed by each provision at issue.

27. That the distinction between "discretionary" and "mandatory" measures may be relevant also under the TRIPS Agreement is illustrated by *United States – Section 211*, where the Appellate Body recalled such distinction and concluded that the panel had applied it correctly.⁹

Question 15

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?

28. According to Article 220 (1) of the EC Treaty, it is the European Court of Justice which ensures that in the interpretation and application of the Treaty the law is observed. This judicial function of the Court of Justice also applies to acts of the Community institutions adopted on the basis of the Treaty. Accordingly, the highest judicial authority competent to interpret the meaning of Regulation 2081/92 is the European Court of Justice.

29. The European Commission represents the European Community in the proceedings before the Panel. Accordingly, the statements made by the agents of the European Commission before the Panel commit and engage the European Communities.

30. However, it should also be noted that where the statements of the European Communities regard the interpretation of Regulation 2081/92, these statements concern an issue of fact. These statements are made in order to assist the Panel in its function to make an objective assessment of the facts. Their purpose is therefore to clarify the existing legal situation in European Community law. Their intention is not to create new legal obligations in public international or in Community law.

31. This being said, the EC does not consider that its statements before the Panel are without legal significance. In this context, the EC is aware that its submissions to the Panel will be public as part of the final report to the Panel. It is not conceivable to the European Commission that it would, in the interpretation or application of the Regulation, take a different approach to the one it has set out before the Panel.

⁸ Appellate Body Report, *United States – Carbon Steel (Japan)*, para. 89

⁹ Appellate Body Report, *United States – Section 211*, para. 258.

32. As regards the approach to be taken by the European Court of Justice, the European Commission considers it important to underline that the European Court of Justice has shown a consistently high degree of awareness and respect for the international obligations of the European Communities.

33. According to the settled case law of the Court of Justice, Community legislation must, so far as possible, be interpreted in a manner that is consistent with international law, in particular where its provision are intended specifically to give effect to an international agreement concluded by the Community.¹⁰

34. As one scholar of Community law has observed in a recent book on the external relations law of the European Communities, the principle of consistent interpretation has been particularly important with respect to GATT and WTO law: "The EU Courts have never hesitated to make use of consistent interpretation for the purpose of applying GATT and WTO law".¹¹

35. As regards specifically the TRIPS Agreement, the Court for instance has held as follows:¹²

It is true that the measures envisaged by Article 99 and the relevant procedural rules are those provided for by the domestic law of the Member State concerned for the purposes of the national trade mark. However, since the Community is a party to the TRIPs Agreement and since that agreement applies to the Community trade mark, the courts referred to in Article 99 of Regulation No 40/94, when called upon to apply national rules with a view to ordering provisional measures for the protection of rights arising under a Community trade mark, are required to do so, as far as possible, in the light of the wording and purpose of Article 50 of the TRIPs Agreement.

36. The Court of Justice will be particularly prone to take into account the international obligations of the Community where the Community legislative act itself indicates that it is intended to implement obligations of international law. For instance, in a recent judgment, the Court held that, on the basis of a recital in the Community Anti-Dumping Regulation, the duty to provide an explanation contained in Article 2.4.2 of the AD Agreement had to apply also in the context of the application of the Community Regulation.¹³

However, where the Community intended to implement a particular obligation assumed in the context of the WTO, or where the Community measure refers expressly to precise provisions of the agreements and understandings contained in the annexes to the WTO Agreement, it is for the Court to review the legality of the Community measure in question in the light of the WTO rules (see, in particular, *Portugal v Council*, paragraph 49).

The preamble to the basic regulation, and more specifically the fifth recital therein, shows that the purpose of that regulation is, inter alia, to transpose into Community law as far as possible the new and detailed rules contained in the 1994 Anti-dumping Code, which include, in particular, those relating to the calculation of dumping, so as to ensure a proper and transparent application of those rules.

¹⁰ Case C-61/94, *Commission/Germany*, [1996] ECR I-4006, para. 52 (Exhibit EC-13); C-341/95, *Bettati*, [1998] ECR I-4355, para. 20 (Exhibit EC-14).

¹¹ Piet Eeckhout, *External Relations of the European Union*, Oxford University Press, p. 315 (2004).

¹² Case C-53/96, *Hermès*, [1998] ECR I-3603, para. 28 (Exhibit EC-15); confirmed in C-300/98 and 392/98, *Dior*, [2000] ECR I-1344, para. 47 (Exhibit EC-16).

¹³ Case C-76/00 P, *Petrotub*, [2003] ECR I-79, para. 54-57 (Exhibit EC-17).

It is therefore established that the Community adopted the basic regulation in order to satisfy its obligations arising from the 1994 Anti-dumping Code and that, by means of Article 2(11) of that regulation, it intended to implement the particular obligations laid down by Article 2.4.2 of that code. To that extent, as is clear from the case-law cited in paragraph 54 of the present judgment, it is for the Court to review the legality of the Community measure in question in the light of the last-mentioned provision.

In that regard, it should be recalled that Community legislation must, so far as possible, be interpreted in a manner that is consistent with international law, in particular where its provisions are intended specifically to give effect to an international agreement concluded by the Community (see, in particular, Case C-341/95 Bettati [1998] ECR I-4355, paragraph 20).

37. The interpretation of Article 12 of Regulation 2081/92 which the EC has set out before the Panel is therefore in full accordance with the principles of interpretation applied on a constant basis by the European Court of Justice.

38. In addition, it also useful to know that the Court of Justice may take account of statements which the Commission has made on behalf of the European Community in the WTO. For instance, in the judgement just cited, the Court of Justice referred in support of its interpretation to a assurances given by the European Commission to the secretariat of the WTO Committee on Anti-Dumping Practices:¹⁴

Such an interpretation coincides in essence with the international assurances given in the communication of 15 February 1996 from the Commission to the secretariat of the WTO Committee on Anti-Dumping Practices, according to which the explanation referred to in Article 2.4.2 of the 1994 Anti-dumping Code will be given directly to the parties and in regulations imposing anti-dumping duties.

Question 16

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?

39. In the context of the review under Article 24.2 TRIPS, the EC explained that the reciprocity requirement applied without prejudice to international agreements.¹⁵ Moreover, in the meeting of the TRIPS Council of 16 June 2004, the EC was asked to clarify whether it applied conditions of reciprocity and equivalence to other WTO Members. The EC provided the following response to this question:¹⁶

EC Regulation No 2081/92 applies to geographical indications relating to areas located inside as well as outside the EC. For this purpose, the Regulation lays down rules relating to the registration of geographical indications from outside the EC which closely parallel the provisions applicable to geographical indications from inside the EC. The purpose of these specific rules, some of which were recently introduced by Regulation No. 692/2003, is to facilitate the registration of non-EC geographical indications while at the same time ensuring that geographical

¹⁴ Case C-76/00 P, *Petrotub*, [2003] ECR I-79, para. 59 (Exhibit EC-17).

¹⁵ IP/C/W/253/Rev.1, p. 27 (Exhibit EC-18).

¹⁶ The EC's statement should be reflected in due course in the minutes of the TRIPS Council.

indications from outside the EC correspond to the definition of a geographical indication.

As to the conditions which must be fulfilled for registration to take place, some WTO Members have considered, on the basis of Article 12(1) of Regulation No 2081/92, that registration of geographical indications from outside the EC is possible in only under conditions of "reciprocity and equivalence". However, Article 12(1) of Regulation No. 2081/92 provides that it applies "without prejudice to international agreements" including the TRIPs Agreement. Since WTO Members are obliged to provide protection to geographical indications in accordance with the TRIPs Agreement, the reciprocity and equivalence conditions mentioned in Article 12(1) of Regulation 2081/92 do not apply to WTO Members.

In other words, the EC GI register is open to GIs from other WTO Members, and registration of such GIs may take place on the same substantive conditions which apply to registration of GIs from EC Member States.

40. Moreover, the EC would like to remark that this question concerns evidence regarding the interpretation of Regulation 2081/92 as in force at the time of establishment of the Panel. Regarding a question of admissible evidence, the EC does not consider that only evidence which predates the date of its first written submission in the present proceedings is relevant. For this reason, for instance, the statements made by the EC in the course of the Panel proceedings should also be taken into account.

Question 17

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?

41. The EC considers that the written statement to the TRIPS Council is not incompatible with the text of Regulation 2081/92 as in force at the time it was made or with the statements of the EC in the present case.

42. The EC would like to remark, however, that this statement is of limited relevance for the present case. It was made in the context of the negotiations for the extension of protection under Article 23 TRIPS to products other than wines and spirits. The intention of the statement was therefore not primarily to explain the EC system for the protection of geographical indications. In addition, the statement was made in 2002, and therefore does not take into account the amendments made by Regulation 692/2003.

Question 18

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 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)?

43. It is the European Commission which represents the European Communities within the WTO. Where appropriate, the European Commission consults with the competent instances of the Council. The position of individual Member States is therefore of no relevance in the present proceedings.

44. Like the Commission, the Council of Ministers is bound to apply the terms of Regulation 2081/92. Like the Commission, it is bound to give effect to the wording "without prejudice to international agreements", and to take account of the Community's international obligations under the WTO Agreements.

Question 19

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?

45. Community courts can only rule on an issue when concrete cases are brought before them. Since no request for registration has ever been made in respect of a geographical indication from a third country, no judicial authority has ever had the occasion to rule on the availability of protection provided by registration for third countries under Regulation 2081/92.

46. The registration of the name of a geographical indication, whether from a third country or from within the EC, takes the form of a regulation of the Commission. The condition under which such a regulation can be challenged before the European Court of Justice are set out in Article 230 of the EC Treaty, which reads as follows:

The Court of Justice shall review the legality of acts adopted jointly by the European Parliament and the Council, of acts of the Council, of the Commission and of the ECB, other than recommendations and opinions, and of acts of the European Parliament intended to produce legal effects vis-à-vis third parties.

It shall for this purpose have jurisdiction in actions brought by a Member State, the European Parliament, the Council or the Commission on grounds of lack of competence, infringement of an essential procedural requirement, infringement of this Treaty or of any rule of law relating to its application, or misuse of powers.

The Court of Justice shall have jurisdiction under the same conditions in actions brought by the Court of Auditors and by the ECB for the purpose of protecting their prerogatives.

Any natural or legal person may, under the same conditions, institute proceedings against a decision addressed to that person or against a decision which, although in the form of a regulation or a decision addressed to another person, is of direct and individual concern to the former.

The proceedings provided for in this Article shall be instituted within two months of the publication of the measure, or of its notification to the plaintiff, or, in the absence thereof, of the day on which it came to the knowledge of the latter, as the case may be.

47. The question of the validity of EC regulations may also become an issue in proceedings before the courts of the Member States. According to Article 234 of the EC Treaty, national courts are obliged to refer questions concerning the validity of EC regulations to the European Court of Justice for a preliminary ruling. Such preliminary rulings are legally binding upon the national courts. Article 234 of the EC Treaty provides:

The Court of Justice shall have jurisdiction to give preliminary rulings concerning:

- (a) the interpretation of this Treaty;
- (b) the validity and interpretation of acts of the institutions of the Community and of the [European Central Bank];
- (c) the interpretation of the statutes of bodies established by an act of the Council, where those statutes so provide.

Where such a question is raised before any court or tribunal of a Member State, that court or tribunal may, if it considers that a decision on the question is necessary to enable it to give judgment, request the Court of Justice to give a ruling thereon.

Where any such question is raised in a case pending before a court or tribunal of a Member State against whose decisions there is no judicial remedy under national law, that court or tribunal shall bring the matter before the Court of Justice.

Question 20

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?

48. First of all, the EC considers that this question may be too broad to be answered in abstract terms. Since different things may be understood by "conditions of reciprocity and equivalence", an answer can only be given on a case by case basis. This is aptly illustrated by the United States' reference to the EC's requirement of inspection structures as "equivalence by another name".¹⁷ As the EC has already indicated during the first meeting with the Panel, it emphatically considers that this requirement is not inconsistent with the national treatment obligations of the TRIPS Agreement or the GATT.

49. As regards the specific conditions contained in Article 12(1) of Regulation 2081/92, the EC has already confirmed that it does not apply these to WTO Members. For this reason, the EC considers that the question whether these conditions are inconsistent with the national treatment obligations of the TRIPS Agreement and the GATT does not arise.

Question 21

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?

50. The bilateral agreement envisaged in the declaration represents an alternative approach to the protection of geographical indications to the direct registration under Regulation 2081/92. Compared to the registration on a case-by-case basis, a bilateral agreement would have the advantage that protection of the parties' geographical indications would be obtained in one single act. Moreover,

¹⁷ Oral Statement of the US at the first substantive meeting of the Panel, para. 17.

possible controversial issues, for instance regarding generic names, homonyms, or registrations concerning cross-border areas, could be resolved in a non-contentious way.

51. However, the declaration is without prejudice to the possibility of applying for protection of Swiss geographical indications under Regulation 2081/92. Accordingly, the envisaged agreement merely represents an alternative approach to protection which does not exclude direct applications under Regulation 2081.

52. Finally, as the EC has already said in its first written submission, it would like to recall that the declaration is merely a political text, and that so far no such agreement has been concluded.

Question 22

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)?

53. There are no such requirements.

54. The conditions subject to which a natural or legal person shall be entitled to apply for registration are set out in Article 1 of Commission Regulation 2037/93,¹⁸ which reads as follows:

Applications for registration pursuant to Article 5 of Regulation (EEC) No 2081/92, may be submitted by a natural or legal person not complying with the definition laid down in the second subparagraph of paragraph 1 of that Article in exceptional, duly substantiated cases where the person concerned is the only producer in the geographical area defined at the time the application is submitted.

The application may be accepted only where:

- (a) the said single person engages in authentic and unvarying local methods; and
- (b) the geographical area defined possesses characteristics which differ appreciably from those of neighbouring areas and/or the characteristics of the product are different.

2. In the case referred to in paragraph 1, the single natural or legal person who has submitted the application for registration shall be deemed to constitute a group within the meaning of Article 5 of Regulation (EEC) No 2081/92.

55. These conditions define only the conditions under which a natural or legal person, as opposed to a group as defined in the second subparagraph of Article 5 (1) of Regulation 2081/92, may apply for registration. As can be seen, these conditions have nothing to do with nationality.

¹⁸ Exhibit COMP-2.

Question 23

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?

56. As regards the definition of nationals in Article 3.1 and 4 of the TRIPS Agreement and Article 2.1 of the Paris Convention, a distinction must be made between natural and legal persons. For natural persons, a national is any person who holds the nationality of the State in question in conformity with the legislation of such state. As regards legal persons, the question of nationality depends on the law of the state in question, which may use criteria such as the law of incorporation, headquarters, or other criteria. The legal situation has been summed up by Bodenhausen in his commentary to Article 2.1 of the Paris Convention as follows:¹⁹

In deciding the question who are such nationals, account has to be taken of the fact that the Convention can also apply to *legal persons or entities*, so that a distinction must be made between the nationality of *natural* and *legal* persons, respectively.

With respect to *natural* persons, nationality is a quality accorded or withdrawn by the legislation of the State whose nationality is claimed. Therefore it is only the legislation of that State which can define the said nationality and which must be applied also in other countries where it is invoked.

With respect to *legal* persons, the question is more complicated because generally no "nationality" as such is granted to legal persons by existing legislations. Where these legal persons are the States themselves, or State enterprises, or other bodies of *public status*, it would be logical to accord to them the nationality of their country. With regard to corporate bodies of *private status*, such as companies and associations, the authorities of the countries where application of the Convention is sought will have to decide on the criterion of "nationality" which they will employ. This "nationality" can be made dependent upon the law according to which these legal persons have been constituted, or upon the law of their actual headquarters, or even on other criteria. Such law will also decide whether a legal person or entity really exists.

57. Natural persons who are merely domiciled in a State, but are not nationals of that state, are not "nationals" within the meaning of the national treatment provisions of the TRIPS Agreement and the Paris Convention. Similarly, legal persons who have a real and effective industrial and commercial establishment in a State, but do not fulfil the conditions for nationality of such state, are not nationals of such state. Domicile and establishment can therefore not simply be equated with "nationality" within the meaning of the national treatment provisions of the TRIPS Agreement and the Paris Convention.

58. That nationality on the one hand, and domicile or establishment on the other hand, are not identical concepts also follows from the context of the Paris Convention. First of all, if all persons domiciled or established in a particular State were its nationals, then the separate prohibition on conditions of domicile or establishment in Article 2.2 of the Paris Convention would be devoid of all useful purpose.

¹⁹ Bodenhausen, Guide to the Application of the Paris Convention for the Protection of Industrial Property, p. 27-28 (1968).

59. More importantly still, Article 3 of the Paris Convention enlarges the national treatment obligation to "nationals of countries outside the Union who are domiciled or who have real and effective industrial or commercial establishments in the territory of one of the countries of the Union". This provision would be completely unnecessary if all residents of a member of the Union were in any event to be considered as its nationals, and therefore benefited from national treatment under Article 2.1 of the Paris Convention. Article 3 of the Paris Convention therefore clearly illustrates that the Paris Convention, and similarly also the corresponding provisions of the TRIPS Agreement, regard nationality as a concept different from domicile or residence.

60. Finally, this is also illustrated by footnote 1 to Article 1.3 of the TRIPS Agreement. This footnote defines nationals, in the case of a separate customs territory which is a WTO Member, to mean persons natural or legal who are domiciled or who have a real and effective industrial or commercial establishment in that customs territory. This definition was necessary since separate customs territories are not states, and therefore normally do not have "nationals". Thus, the criterion of residence or establishment is used here as a replacement for the criterion of nationality, which cannot apply to separate customs territories. In turn, this special definition for custom territories would have been unnecessary had this been already the normal meaning of "nationality". Once more, footnote 1 to Article 1.3 proves that nationality and residence or establishment are not identical concepts under Articles 3.1 and 4 TRIPS and 2.1 Paris Convention.

Question 24

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?

61. The notion of "interested parties" must be defined in relation to the intellectual property rights that Article 22.2 seeks to protect. Article 22.2 is included in Section 3 of Part II of the TRIPS Agreement dealing with "Geographical Indications" and is entitled "Protection of geographical indications". Moreover, the introductory phrase of Article 22.2 provides that the obligation set out in that provision apply "in respect of geographical indications". Accordingly, for purposes of Article 22.2, "interested parties" are those which can claim an interest in the protection of a geographical indication, and not of other intellectual property rights, such as, for example, a conflicting trademark.

62. The definition of "interested parties" in Article 10(2) of the Paris Convention does not apply to Article 10bis, which is the only provision of the Paris Convention referred to in Article 22.2 of the TRIPS Agreement. Nor should Article 10bis be extrapolated by way of contextual interpretation to Article 22.2. Article 10bis is concerned with false "indications of source", a notion which is much broader than that of geographical indications, as defined in Article 22.1 of the TRIPS Agreement.

63. Without prejudice to the above, the EC recalls that Regulation 2081/92 grants to "any legitimately concerned legal or natural person"²⁰ the right to object to the registration of a geographical indication. The EC considers that this wording is broad enough to encompass all "interested parties", as defined in Article 10bis of the Paris Convention.

²⁰ Cf. Article 7(4). Equivalent wording is used in Articles 12b(2) and 12d(1), which confer a right of objection to any legal or natural person with a "legitimate interest".

Question 25

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?

64. The EC is not entirely certain that it understands the meaning of the phrase "nationals who are interested in GIs that refer to areas located in different WTO Members" in the present context. However, the EC would like to recall that national treatment under the TRIPS requires a comparison as between domestic and foreign nationals who are otherwise in the same situation.

Question 26

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?

65. The EC would once again like to stress that the term "nationality" in Articles 3.1 and 4 TRIPS and 2.1 Paris Convention is not linked to an attachment to the territory of a Member.

66. Moreover, the EC would like to stress that the term "national" must be given a uniform meaning regardless of which intellectual property right is concerned. It is incontestable that in accordance with Article 22.1 TRIPS, geographical indications are characterised by a link with a particular geographical area. However, this link, which is an inherent part of the definition of a geographical indication, provides no justification for defining the term "national" in Articles 3.1 and 4 TRIPS and 2.1 Paris Convention differently when geographical indications are concerned.

Question 29

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?

67. The EC notes that the disputes *Japan - Alcoholic Beverages II*, *Korea - Alcoholic Beverages* and *Chile - Alcoholic Beverages* all concerned tax measures which were found to be incompatible with Article III:2 of the GATT.

68. The EC considers that this jurisprudence concerning the interpretation of Article III:2 of the GATT is not relevant for the present dispute. Article III:2 GATT is a provision dealing specifically with national treatment as regards internal taxes or other internal charges. As the Appellate Body has stated in *EC – Asbestos*, there are important textual and structural differences between Articles III:2 and III:4 of the GATT. Accordingly, the Appellate Body found for instance that the term "like products" in Article III:4 GATT could not be interpreted in the same way as the same term in the first sentence of Article III:2 GATT.²¹

69. These findings of the Appellate Body confirm that national treatment provisions cannot simply be assumed to have the same scope and meaning, but must be interpreted on the basis of their specific wording and context. If this already applies between two paragraphs of Article III GATT,

²¹ Appellate Body Report, *EC – Asbestos*, para. 94-96.

even more caution is necessary when attempting to transpose national treatment principles from one agreement to another.

70. As the Panel in *Canada – Pharmaceutical Patents* has convincingly explained, there is therefore no general concept of discrimination which would be common to all WTO Agreements. Rather, the meaning of each provision prescribing equal treatment must be established on the basis of the precise legal text in issue:²²

In considering how to address these conflicting claims of discrimination, the Panel recalled that various claims of discrimination, *de jure* and *de facto*, have been the subject of legal rulings under GATT or the WTO. These rulings have addressed the question whether measures were in conflict with various GATT or WTO provisions prohibiting variously defined forms of discrimination. As the Appellate Body has repeatedly made clear, each of these rulings has necessarily been based on the precise legal text in issue, so that it is not possible to treat them as applications of a general concept of discrimination. Given the very broad range of issues that might be involved in defining the word "discrimination" in Article 27.1 of the TRIPS Agreement, the Panel decided that it would be better to defer attempting to define that term at the outset, but instead to determine which issues were raised by the record before the Panel, and to define the concept of discrimination to the extent necessary to resolve those issues.

71. The EC would suggest that such a case-specific approach would also be appropriate in the present case. In this context, the EC would not exclude entirely that under certain circumstances, measures which are neutral on their face may nonetheless constitute less favourable treatment of foreign nationals. However, the EC would suggest that when considering whether Regulation 2081/92 involves discrimination as between nationals within the meaning of Article 3.1 TRIPS and 2.1 of the Paris Convention, the Panel should also take account of the following considerations:

72. First, Article 3 TRIPS refers to nationals. This specific reference, which differs from Art III:4 GATT, must be given meaning. For this reason, it should not be argued that because a measure involves discrimination on the basis of the origin of a good, or of domicile and establishment, it also constitutes *de facto* discrimination of nationals, since such discrimination is already covered by Article III:4 GATT, or Article 2.2 of the Paris Convention.

73. Second, the Appellate Body has held repeatedly that *de facto* discrimination is a notion intended to prevent circumvention of national treatment obligations.²³ Such a risk does not exist if a specific issue is already dealt with in other national treatment provisions, such as those of the GATT.

74. Third, the national treatment provisions of the TRIPS and the GATT should not systematically overlap. The Panel must also take account the different legal context of the provisions, which are contained in different agreements. For example, the Panel would have to consider whether Articles XX and XXIV GATT, which are available as defenses against national treatment claims under the GATT, could also apply under the TRIPS Agreement. This is an issue of major systemic implications, which should be taken into account in the interpretation of the national treatment provisions of the TRIPS Agreement.

²² Panel Report, *Canada - Pharmaceutical Patents*, para. 7.98 (footnotes omitted).

²³ Cf. Appellate Body Report, *EC – Bananas III*, para. 233; Appellate Body Report, *Canada – Autos*, para. 142.

Question 30

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"?

75. Yes.

Question 31

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?

76. The scope of the national treatment obligations in Article 2(1) of the Paris Convention (1967) and Article 3.1 of the TRIPS Agreement must be derived from the precise wording of those provisions. Given the closely parallel wording of the two provisions, it appears to the EC that they overlap to a considerable extent.

Question 33

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?

77. The requirement that a group or person must send a registration application to the EC Member State or authorities of a third country in which the geographical area is located reflects the important role that Member States or third country authorities play in the registration process under Regulation 2081/92.

78. According to Article 5 (5) of Regulation 2081/92, the Member State shall check that the application is justified and shall forward the application, including the product specification referred to in Article 4 and other documents on which it has based its decision, to the Commission. In a recent judgment, the European Court of Justice has explained that this role of Member States is due in particular to the detailed knowledge of Member States in respect of geographic indications relating to their territory.²⁴

It follows that the decision to register a designation as a PDO or as a PGI may only be taken by the Commission if the Member State concerned has submitted to it an application for that purpose and that such an application may only be made if the Member State has checked that it is justified. That system of division of powers is attributable particularly to the fact that registration assumes that it has been verified that a certain number of conditions have been met, which requires, to a great extent, detailed knowledge of matters particular to the Member State concerned, matters which the competent authorities of that State are best placed to check.

79. These same considerations are also underlying the requirement in Article 12a (2) of the Regulation, according to which the third country must verify that the requirements of the Regulation are verified before it transmits the application. Indeed, the need for an involvement of the national authorities appears even more compelling when the application concerns a geographical indication from a third country rather than from a Member State.

²⁴ Case C-269/99, *Karl Kühne*, [2001] ECR I-9517, para. 53 (Exhibit EC-19).

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

81. Second, the evaluation of the application may require the assessment of legal questions arising under the law of the country where the area is located. In particular, Article 12a of the Regulation requires the application to be accompanied by a description of the legal provisions and the usage on the basis of which the geographical indication is protected or established in the third country. The Commission cannot unilaterally resolve such issues pertaining to the law of a third country, which therefore necessarily require the implication of the authorities of the third country.

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

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

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

Question 34

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?

85. Article 12d(1) requires any natural or legal person that has a legitimate interest and is from a WTO Member Country to transmit a duly substantiated statement to the country in which it resides or is established, which shall transmit it to the Commission.

86. It is to be noted that under this provision, the third country is not required to verify the admissibility of the objection on the basis of the criteria laid down in Article 7(4) of the Regulation.

Accordingly, the transmission of such applications does not require the same degree of verification as the transmission of applications for registration, and should therefore not be particularly burdensome for third countries.

87. Despite this somewhat less important role of third countries in the transmission of statements of objection, some degree of involvement of the third country government remains necessary. First, it is necessary to verify whether the person objecting is indeed resident or established in the third country, which is only possible for the authorities of that country. Second, it is not excluded that in the further procedure, questions relating to the territory of the third country might arise, in which case it is useful for there to be an official contact point in the third country. Third, it should also be beneficial to the person making the objection to be able to deal directly with an authority in the country where it is resident or established. Finally, if a statement of objection is admissible, Article 12d (3) provides that the third country which has transmitted the statement of objection is to be consulted before the Commission takes its decision.

Question 35

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?

88. No.

Question 37

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 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?

89. There are a large number of examples in international law and practice in which national governments cooperate by acting as agents or intermediaries in the protection of private rights. Given the limited time available, the EC will limit itself to providing some examples drawn from a number of different sectors.

90. As referred to by the Panel, a first example is already provided by Article 2 (2) of the Protocol to the Madrid Agreement concerning the international registration of trademarks (Exhibit EC-20), which reads as follows:

The application for international registration (hereinafter referred to as "the international application") shall be filed with the International Bureau through the intermediary of the Office with which the basic application was filed or by which the basic registration was made (hereinafter referred to as "the Office of origin"), as the case may be.

91. Similar examples where the protection of an intellectual property right requires action of the home country of the right holder can also be found in other agreements. For instance, Article 6 quinquies A (1) of the Paris Convention provides that Members of the Union may require, before registering a trademark duly registered in the country of origin, a certificate of registration in the country of origin, issued by the competent authority.

92. Similarly, Article 5(1) of the Lisbon Agreement for the Protection of Appellations of Origin (Exhibit EC-21) provides that applications for the registration of appellations of origin must be requested by the offices of the countries of the Special Union:

The registration of appellations of origin shall be effected at the International Bureau, at the request of the Offices of the countries of the Special Union, in the name of any natural persons or legal entities, public or private, having, according to their national legislation, a right to use such appellations.

93. Such examples for requirements for cooperation between governmental authorities can also be found outside the area of intellectual property protection. For instance, the Specific Annex on Origin to the International Convention on the Simplification and Harmonisation of Customs Procedures (Kyoto Convention) provides that in certain cases, a certificate of origin issued by the competent authorities of the country of origin may be required.²⁵ Moreover, the Specific Annex also provides that in certain cases, the customs authorities of the importing party may request the competent authorities of the party where the certificate of origin has been established to carry out controls.²⁶

94. Further examples can be found in the field of technical standards and conformity assessment. For instance, the EC has concluded mutual recognition agreements with both the United States and Australia. Under these agreements, the parties mutually recognize the results of conformity assessment carried out by conformity assessment bodies recognized under the agreement. Each party designates its conformity assessment bodies to be recognized under the agreement.²⁷ Moreover, each party remains responsible for monitoring the conformity assessment bodies which it has designated.²⁸

95. Similar arrangements can be found in the field of transport. According to Article 31 of the Chicago Convention on International Civil Aviation (Exhibit EC-25), every aircraft engaged in international navigation shall be provided with a certificate of airworthiness issued or rendered valid by the State in which it is registered. Similarly, according to Article 32 of the Chicago Convention, the pilot of every aircraft and the other members of the crew of every aircraft engaged in international civil aviation shall be provided with certificates of competency and licences issued or rendered valid by the State in which the aircraft is registered.

96. Another example can be drawn from the field of fisheries. In accordance with Article 62 of the UN Convention on the Law of the Sea, bilateral agreements may give other states access to fishing resources in the exclusive economic zone of a coastal state. However, the applications for fishing licenses must usually be transmitted by the authorities of the fishing state to those of the coastal state. By way of example, reference can be made to the Annex of the bilateral fisheries agreement between the European Community and Mozambique (Exhibit EC-26), which provides the following:

The procedure to be followed in applying for and issuing licences authorising Community vessels to fish in Mozambican waters shall be as follows:

(a) for each vessel, the European Commission, acting via its representative in Mozambique and through the agency of its delegation in that country, shall submit to the Mozambican authorities a licence application drawn up by the vessel owner

²⁵ Specific Annex K to the Kyoto Convention, pts. 2 to 5, 9-12 (Exhibit EC-22).

²⁶ Appendix III to Specific Annex K to the Kyoto Convention, pt. 3 (Exhibit EC-22).

²⁷ Cf. Article 7 of the Agreement with the United States (Exhibit EC-23); Article 5 of the Agreement with Australia (Exhibit EC-24).

²⁸ Cf. Article 10 of the Agreement with the United States (Exhibit EC-23); cf. also Article 8 of the Agreement with Australia (Exhibit EC-24).

wishing to carry on fishing activities under this Agreement; the application shall be submitted no later than 25 days before the start of the validity period mentioned therein. Applications shall be made using the forms provided for this purpose by Mozambique, specimens of which are given in Appendix 1 for tuna seiners and longliners, and in Appendices 1 and 2 for freezer bottom trawlers. They shall be accompanied by proof of payment of the advance payable by the vessel owner;

97. Finally, examples can also be found in the field of judicial cooperation in civil and commercial matters. For instance, Article 3 of the Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters (Exhibit EC-27) provides as follows:

The authority or judicial officer competent under the law of the State in which the documents originate shall forward to the Central Authority of the State addressed a request conforming to the model annexed to the present Convention, without any requirement of legalisation or other equivalent formality.

98. Finally, the EC would like to recall that it is a common feature of customary international law that states act on behalf of their nationals and their rights and interest. This is most clearly recognized in the institution of diplomatic protection, on the basis of which states may raise claims against other states on the basis of injury suffered by the national of the claiming state.²⁹

99. That fact that most of the examples above are drawn from international agreements does not diminish their relevance for the present case. Rather, these examples illustrate that in an increasingly interdependent world, the effective protection of individual rights in cross-border situations inevitable engenders a need for cross-border cooperation.

100. The EC considers that the examples quoted above are merely a fraction of the cases where intergovernmental cooperation occurs in the cross-border protection of individual rights. The EC reserves the right to elaborate further on this question in the later stages of the procedure. However, at this stage, the EC would like to remark that the Panel should be mindful that the claims of the complainants may have implications that go far beyond the present case.

Question 39

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?

101. The Committee assisting the Commission in accordance with Article 15(1) of Regulation 2081/92 is composed of representatives of all Member States. This includes also the Member State which has transmitted the application or the statement of objection.

102. As the EC has already explained in its first written submission,³⁰ the constitution of regulatory committees is a typical modality under which the Council of Ministers delegates regulatory powers to

²⁹ Cf. Diplomatic Protection of Foreign Nationals, in: Encyclopaedia of Public International Law, Vol. 1, p. 1067 (1992).

³⁰ EC, FWS, paras. 79 to 83.

the European Commission. Regulatory committees such as the one foreseen in Article 15(1) of Regulation 2081/92 are therefore an integral part of the Community's constitutional system.

103. When fulfilling their functions under Regulation 2081/92, a Member State is in no way identified with the applicant or the person raising the objection. In verifying the applications or statements of objection, the Member State must correctly, impartially and objectively apply the terms of the Regulation. Similarly, when exercising its role in the Committee, the Member States must be guided by the terms of the Regulation, and not act as a representative of any individual applicant or objecting person.

104. It should be noted that already when examining the admissibility of an application, the Member State must take into account all objections from within its own country, and resolve these before transmitting the application. The situation envisaged in the last sentence of the question can therefore not occur. This has been clarified in a recent judgment of the European Court of Justice.³¹

In this connection, it should be observed that it follows from the wording and the scheme of Article 7 of Regulation No 2081/92 that a statement of objection to a registration cannot come from the Member State which has applied for the registration and that the objection procedure established by Article 7 of that regulation is not therefore intended to settle disputes between the competent authority of the Member State which has applied for registration of a designation and a natural or legal person resident or established in that Member State.

Question 40

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?

105. Under the simplified procedure foreseen in Article 17 of Regulation 2081/92 as applicable until its amendment through Regulation 692/2003, the consultation of the Committee was required in all cases. A number of these applications were also, for various reasons, referred to the Council.

106. As regards the normal procedure, out of 171 applications, only a small number (10) have been considered by the Committee. Non of these cases was referred to the Council.

107. For the convenience of the Panel, the EC submits as Exhibit EC-28 a table which sets out in more detail the different cases of consultation of the Committee and referral to the Council.

Question 41

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"?*

³¹ Case C-269/99, *Karl Kühne*, [2001] ECR I-9517, para. 55 (Exhibit EC-19).

108. Both in "protected name of a third country" and in "Community protected name", "protected" in principle means "protected under Regulation 2081/92". However, the provision also applies where protection under Regulation 2081/92 is sought for a protected name from 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?*

109. No. "Community protected name" covers only protected names of areas located in the EC.

- (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).*

110. No. "Community protected name" covers only protected names of areas located in the EC. Moreover, the provision applies only to protected names.

Question 42

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?

111. Article 12(2) is a specific provision dealing with certain cases of conflicts between homonyms which may arise between Community and third country protected names. Article 6(6) is a more general provision dealing with a wider set of conflicts, and notably conflicts between homonyms from within the Community, but including also conflicts involving third country names not yet resolved by Article 12(2), for instance between names from within the same third country, or between third countries.

Question 43

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?

112. As regards the first question, if the already registered name is a name from the Community, this situation would be covered by Article 12(2) of Regulation 2081/92. As regards the second question, if the name to be registered is from the Community, this situation would equally be covered by Article 12(2).

Question 44

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?

113. No. The EC would like to remark that since there have been no cases of application of Article 12(2) so far, the EC has not felt a need to make official statements as regards the application of this provision.

Question 45

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?

114. No. As the Commission, the Council is bound by law to apply the terms of Regulation 2081/92.

Question 46

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?

115. Since Article 12(2) has never been applied, no judicial authority has ever had the occasion to interpret this provision.

116. Any Commission decision regarding the registration of a geographical indication can be the subject of judicial review under the conditions to which the EC has referred in its response to Question 19.³²

Question 49

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?

117. In accordance with Article 3.7 of the DSU, the purpose of the present proceedings is to secure a positive solution to the dispute. In the view of the EC, securing a positive solution to the dispute requires the Panel to address all the claims which have been raised by the complainants with respect to particular aspects of Regulation 2081/92.

118. Moreover, Article 19.1 of the DSU provides that where a Panel concludes that a measure is inconsistent with a covered agreement, it shall recommend the Member concerned to bring the measure in conformity. The Panel's recommendations are the basis for implementation in accordance with Article 21 of the DSU. In order to enable the Member to properly implement the Panel's recommendations, it is therefore essential that a Panel's recommendation be as specific and clear as possible.

119. For this reason, if the Panel came to the conclusion that certain aspects of Regulation 2081/92 are inconsistent with a covered agreement, it would be necessary that these aspects be specifically identified in the Panel's conclusions and recommendations in order to enable the EC to duly implement the report.

³² Above para. 46 et seq.

Question 50

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?

120. First of all, the EC would like to recall that Article 12(2) is not a labelling requirement, but merely sets out the conditions under which geographical indications can be registered in the case of homonymous protected names from the EC and from a third country.

121. Second, it is clear that the origin of a product is not a "process or production method". The question can therefore only be whether the indication of the country of origin is a labelling requirement as it relates to a product. However, it seems to the EC that the origin of a product is different from the product itself.

122. Of course, the origin of a product may confer specific characteristics or a reputation on it, which may entitle it for protection as a geographical indication. However, these issues are already covered in the TRIPS, and do therefore not need to be addressed by the TBT Agreement. Moreover, as the EC has already remarked, the question of origin marking is already covered by the special disciplines of Article IX GATT.³³

Question 51

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"?

123. The EC agrees that Article 2.1 TBT Agreement requires a comparison between like products, not between "like situations". In the view of the EC, Australia has not shown that homonymous products from within the EC covered by Article 6 (6) of the Regulation would in any sense be "like" a third country product which is covered by Article 12(2) of the Regulation. Accordingly, Australia has failed to establish any claim under Article 2.1 TBT Agreement.

124. Moreover, the EC considers that under Australia's argument, the two situations are not even like. In fact, the comparable situation to two homonymous EC GIs protected under Regulation 2081/92 would be that of two homonymous Australian GI's protected under Australian law. This is obviously not a situation which can give rise to discrimination between Australian and EC products. In fact, as the EC has already stated, it does not understand how Australian products could be affected by the way in which conflicts between homonymous names from within the EC are resolved.

125. Since Australia has in any case failed to establish a case under Article 2.1 TBT Agreement, the EC considers that the Panel does not need to resolve the meaning of the expression "like products" in Article 2.1 TBT Agreement. As the EC has already said in its first written submission, this is an issue of considerable legal complexity, which could not be resolved simply through transposition of

³³ EC FWS, paras. 450-451.

jurisprudence on Article III:4 GATT, but rather would also have to take the structural differences between the TBT Agreement and the GATT into account.³⁴

Question 54

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?

126. Typically, the geographical indication which is registered first will have been marketed under that name longer, and will therefore already be known by consumers. Inversely, the geographical indication which is registered later will have been used less long, and will be less known by consumers. It is therefore in line with consumer expectations to require appropriate labelling for the indication registered later. This solution also takes into account the fact that the older geographical indication is already registered, and that the terms of its protection can therefore no longer easily be amended.

Question 55

*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.*

127. The EC would agree that Article 23.3 TRIPS must be considered as a *lex specialis* with respect to the practical conditions to differentiate homonymous or identical GIs on a label. Under this provision, the practical conditions for differentiation of homonymous indications will be determined by each Member, taking into account the need to ensure equitable treatment of the producers concerned and that consumers are not misled. This constitutes an exhaustive set of disciplines for this issue, which exclude the application of the national treatment provisions of the GATT and the TBT Agreement.

128. It is noteworthy that the TRIPS Agreement does not contain a corresponding provision for homonymous geographical indications for products other than wines. Therefore Members must decide whether and how to accord protection to homonymous geographical indications on the basis of the general provisions of Section 3, and notably of Article 22.4 of the TRIPS Agreement. This indicates that Member enjoy a greater degree of discretion as to how to resolve conflicts between homonyms for products other than wines. This further confirms the view of the EC that the national treatment provisions of the GATT, the TRIPS and the TBT Agreement should not be held to apply to Article 2(2) of Regulation 2081/92.

Question 57

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?

129. No. The EC merely requires that the conditions of Regulation 2081/92 regarding product specifications and inspections are met as regards the specific product for which protection is sought.

³⁴ EC FWS, para. 474.

Question 59

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)?

130. The EC understands that the question of the Panel relates to a certification mark which protects the use of a name which would qualify for protection as a geographical indication under Regulation 2081/92.

131. Any inspection structure must comply with the conditions set out in Article 10 of Regulation 2081/92. According to Article 10 (2) of Regulation 2081/92, the inspection structures must offer adequate guarantees of objectivity and impartiality with regard to all producers or processors subject to their control. The answer to the question would therefore depend on how the holder of the certification mark is related to the producers or processors in question. If the holder is not itself a producer or processor, and is independent of them, then it would not seem excluded that it could also function as an inspection structure. Otherwise, it would be necessary to establish an independent inspection structure which offers the necessary guarantees of independence and impartiality.

Question 60

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?

132. In the view of the EC, the dividing line follows clearly from the definitions in points 1 and 3 of Annex 1 to the TBT Agreement. According to point 1 of Annex 1, a technical regulation "lays down product characteristics". According to point 3, a conformity assessment procedure ensures that "relevant requirements in technical regulations [...] are fulfilled".

133. In other words, technical regulation set down product characteristics in general and abstract terms. Conformity assessment procedures verify the compliance of concrete products with such requirements. In yet other words, the difference is the one between abstract regulation and the enforcement of regulations in concrete cases.

134. In accordance with Article 10(1) of Regulation 2081/92, inspection structures ensure that agricultural products and foodstuffs bearing a protected name meet the requirements laid down in the specifications. In other words, inspection procedures ensure the compliance of concrete products with the abstract specifications. On the basis of the definitions set out above, there should therefore be no doubt that the requirements regarding inspection structures concern a conformity assessment procedure.

Question 61

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?

135. As a preliminary point, the EC would like to remark that the only claim which Australia has raised with respect to the eligibility criteria for registration under Regulation 2081/92 concerns Article 12(2), i.e. the provision regarding homonymous protected names from the EC and third

countries. The Panel does therefore not need to address the question of whether other eligibility criteria contained in the Regulation might constitute technical regulations.

136. Furthermore, the EC notes that it is wrong to suggest that "conformity is assessed against" the eligibility criteria for registration. The existence of inspection structures constitutes a condition for registration. Accordingly, inspection structures do not ensure that the criteria for the eligibility of registration are met; they ensure that concrete products bearing a protected name comply with the product specifications.

137. In reality, the eligibility criteria for registration have nothing to do with technical regulations. They do not lay down characteristics for specific products, but apply for all geographical indications for which protection is sought under the Regulation. Accordingly, the Regulation, and in particular its eligibility criteria for registration, do not lay down product characteristics. Rather, they require the definition of product specifications as part of the application process. However, "requiring the definition of product characteristics" (by the applicant) is not the same thing as "laying down product characteristics".

138. Quite remarkably, Australia has characterised Regulation 2081/92 as "establishing a process related to product characteristics".³⁵ However, as the EC has already had the occasion to remark at the first meeting with the Panel, a measure "establishing a process related to product characteristics" is not the same thing as a measure actually laying down product characteristics.

139. At the very most, the question could therefore be asked whether the individual product specifications for specific protected names constitute technical regulations. However, the EC notes that Australia has made no claims with respect to any particular specifications, and that this issue is therefore outside the terms of reference of the Panel.

Question 63

What does Article 14(2) of Regulation (EC) No. 2081/92 mean where it provides that a prior trademark "may continue to be used"?

140. Article 14(2) of Regulation 2081/92 is an exception to Article 13(1) of the same regulation, which provides that registered geographical indications shall be protected against certain practices, including certain uses of trademarks. Article 14(2) allows trademark owners to continue to use their trademarks in relation to goods which do not comply with the requirements of the geographical indication, in circumstances where such use would be prohibited by Article 13(1).

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?

141. Article 14(2) of Regulation 2081/92 does not confer to a trademark owner the right to prevent the use of the name, as such, that has been registered as a geographical indication by the right holders of such indication. That would render meaningless the registration of that name as a geographical indication and the protection attached to such registration by Article 13(1).

142. On the other hand, and contrary to what is erroneously assumed by the United States³⁶, a trademark owner may use its trademark rights in order to prevent the right holders of a geographical indication from using confusingly any other names or other signs (e.g. graphic signs) in conjunction with, or in place of, the name registered as a geographical indication, which are not covered by such

³⁵ Oral Statement by Australia at the First Panel hearing, para. 43.

³⁶ US Oral Statement paras. 54-55.

registration. In other words, the right holders of a geographical indication only have a positive right to use the name registered as a geographical indication. That right does not extend to other names or signs which have been not been registered. If the use of such unregistered names or signs leads to likelihood of confusion with the same or a similar sign which is the subject of a valid trademark it may be prevented by the owner of that trademark.

143. Furthermore, while the right holders of a geographical indication have a positive right to use the registered name, this does not mean that they are allowed to use it in any possible manner. As explained³⁷, the name registered as a geographical indication must be used in accordance with the generally applicable provisions of Directive 2000/13 on the labelling, presentation and advertising of foodstuffs³⁸ and of Directive 84/450 on misleading advertising³⁹, as well as with the unfair competition laws of the Member States.⁴⁰

Question 64

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"?

144. As explained in the EC's First Written Submission (paragraph 302), Article 14(1) of Regulation 2081/92 maintains the eligibility of the applications and the validity of the registrations grandfathered by Article 24.5 of the TRIPS Agreement, while Article 14(2) preserves the right of the owners of grandfathered trademarks to continue to use their trademarks concurrently with a registered geographical indication.

Question 65

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?

145. This question does not appear to be relevant to resolve the issues before the Panel, since the complainants have not made any claim to the effect that the temporal criteria laid down in

³⁷ EC's First Submission, para. 319. See also the responses of the EC and its Member States to the review under Article 24.2 of the TRIPS Agreement contained in document IP/C/W/117/Add10 (Exhibit EC-29).

³⁸ Exhibit EC-30. See in particular Article 2.1, which provides that

The labelling and methods used must not: (a) be such as could mislead the purchaser to a material degree, particularly: (i) as to the characteristics of the foodstuff and, in particular, as to its ... origin or provenance ...

³⁹ Exhibit EC-31. Article 2.2 of the Directive defines "misleading advertising" as

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

Article 3 provides that in determining whether advertising is misleading account shall be taken *inter alia* of information concerning the geographic or commercial origin of the goods and of the rights of the advertiser, including ownership of commercial, industrial and intellectual property rights.

⁴⁰ References to the relevant laws of the Member States are found in their responses to the review under Article 24.2 of the TRIPS Agreement. (Exhibit EC-29)

Article 14(2) of Regulation 2081/92 would be somehow inconsistent with those of Article 24.5 of the TRIPS Agreement. Were the complainants to raise any such claim at this stage of the proceedings, it would have to be considered outside the terms of reference of the Panel.

146. In any event, Article 14(2) is fully consistent with Article 24.5 of the TRIPS Agreement. Any trademark applied for, or established by use, before 1 January 1996, but after the date of application for a registered geographical indication, could not be deemed to have been so "in good faith".

147. Furthermore, the complainants have not alleged, let alone proved, that the registration of any of the geographical indications that were applied for before 1 January 1996, which constitute a closed category, has resulted or will result in a likelihood of confusion with any of the trademarks that were applied for, registered, or established by use before 1 January 1996, but after the date of the application for the geographical indication, which also constitute a closed category.

Question 66

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?

148. Article 14(2) of Regulation 2081/92 does not have to be "applied" by the registering authorities. Rather, it sets out the legal consequences that follow from a decision providing for the registration of a proposed geographical indication.

149. The "Cambozola"⁴¹ case mentioned in the question remains so far the only instance where Article 14(2) has been interpreted by the European Court of Justice. In essence, the issues in dispute in that case were whether the use of the trademark "Cambozola" fell within one of the situations listed under Article 13(1) and, if so, whether the conditions laid down in Article 14(2) for allowing the continued use of that trademark were met.

150. The European Court of Justice concluded that the use of the trademark "Cambozola" might be deemed to evoke the registered geographical indication "Gorgonzola" and, therefore, fall within the scope of Article 13(1)(b), even if the true origin was indicated in the package. As regards the question of whether the trademark "Cambozola" could continue to be used in accordance with Article 14(2) the Court ruled that

... It is for the national court to decide whether, on the facts, the conditions laid down in Article 14(2) of Regulation No 2081/92 allow use of an earlier trademark to continue notwithstanding the registration of the protected designation of origin 'Gorgonzola', having regard in particular to the law in force at the time of registration of the trade mark, in order to determine whether such registration could have been made in good faith, on the basis that use of a name such as 'Cambozola' does not, per se, constitute an attempt to deceive the consumer.

151. Following the Judgement of the European Court of Justice, the Supreme Court of Austria ruled that the trademark "Cambozola" had been registered in good faith and was not affected by any

⁴¹ Judgement of the European Court of Justice of 4 March 1999, Case C-87/97, *Consorzio per la tutela del Fromaggio Gorgonzola v. Kaeserai Champignon Hofmeister GmbH & Co. KG, Eduard Bracharz GmbH*. (Exhibit EC-32).

ground of invalidity and, therefore, in accordance with Article 14(2), could continue to be used concurrently with the registered geographical indication "Gorgonzola".⁴²

152. The EC Commission is not aware of any other decisions of the courts of the Member States where Article 14(2) has been interpreted.

Question 67

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)?

153. Article 14(3) remains relevant even after a geographical indication has been formally registered. The owner of a concurrent trademark (e.g. "Cambozola") could challenge before the courts the decision to register the geographical indication by claiming that the decision is inconsistent with Article 14(3).

Question 68

Article 14(3) of Regulation (EC) No. 2081/92 mentions certain criteria. If these are not exhaustive, why does it not expressly stated as in Articles 3(1), 4(2) and 6(6) of the Regulation?

154. At the outset, it is useful to recall the wording of Article 14(3) of Regulation 2081/92:

A designation of origin or geographical indication shall not be registered where, in the light of 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 origin of the product.

155. Thus, contrary to what has been claimed by the complainants, Article 14(3) does not say that the registering authority shall refuse the registration of a geographical indication only if it gives rise to a likelihood of confusion with a trademark which is famous and has been used for a long period of time. Rather, Article 14(3) says that the registration of a geographical indication shall be refused if it is likely to lead to confusion with a trademark, "in light of" the trademark's reputation and renown and the length of time that it has been used.

156. In other words, the length of use and reputation/renown of the trademark are not separate "requirements"⁴³, additional to the likelihood of confusion, for the application of Article 14(3). Rather, they are criteria for establishing the existence of a likelihood of confusion. From the fact that the Commission must consider those two criteria when assessing the likelihood of confusion, it does not follow *a contrario* that it cannot consider also other criteria. Indeed, as explained below, in practice it would be impossible to evaluate the likelihood of confusion on the basis of only those two criteria.

157. As explained⁴⁴, Article 14(3) directs expressly the registering authority to consider the length of use and the reputation and renown of earlier trademarks because those criteria will generally be decisive in order to establish the likelihood of confusion, given that geographical names are primarily non-distinctive, and not because only the likelihood of confusion with famous marks that have been used for a long time is deemed relevant.

⁴² Austrian Supreme Court (Oberster Gerichtshof), Case 40625/01 G, Judgement of 7 October 2001.

⁴³ US Oral Statement, para. 53.

⁴⁴ EC's FWS, paras. 278-291.

158. If Article 14(3) does not mention expressly the similarity of goods and signs, it is simply because those criteria are always relevant to establish the likelihood of confusion between two signs and must necessarily be taken into account. Indeed, as discussed below, neither the length of use nor the reputation and renown of a trademark can be assessed meaningfully without taking into account the degree of similarity of the goods and signs. Moreover, it must be recalled that the application of Article 14(3) presupposes the applicability of Article 13(1) and that, in order to determine whether the use of a trademark falls within one of the situations listed under Article 13(1), it is necessary to consider the similarity of goods and signs.

159. Furthermore, the interpretation of Article 14(3) made by the complainants would lead to a result which conflicts and cannot be reconciled with the obligations imposed upon the EC institutions by Articles 7(4) and 7(5)(b).

160. Article 7(4) provides that a statement of objection shall be admissible, *inter alia*, if it shows that "the registration of the name proposed would jeopardize the existence of a mark".⁴⁵ This language encompasses any instance of likelihood of confusion between the proposed geographical indication and an earlier trademark. If Article 14(3) only required the refusal of a proposed geographical indication where it gives rise to likelihood of confusion with a famous trademark used for a long time, as claimed by the complainants, the admissible grounds of objection would have been limited to the cases where one such mark is likely to be jeopardized. Article 7(4), however, refers to all trademarks, without any distinction or qualification. It would be pointless to admit an objection on certain grounds if, in any event, it were not possible to reject the application on such grounds.

161. Further confirmation is provided by Article 7(5)(b), which provides that where an objection is admissible, and no agreement is reached among the Member States concerned,

the Commission shall take a decision in accordance with the procedure laid down in Article 15, having regard to traditional fair practice and likelihood of confusion.⁴⁶

162. Thus, Article 7(5)(b) requires the Commission to adopt a decision having regard to the "likelihood of confusion" between the proposed geographical indication and *any* other marks. There is no basis in Article 7(5)(b) for the proposition that only the likelihood of confusion with famous marks used for a long time must be taken into account by the Commission.

Do other criteria, such as similarity of signs and goods fall within "reputation and renown"?

163. As suggested by the question, the criteria mentioned expressly in Article 14(3) cannot be applied without taking into account at the same time the degree of similarity between the goods and signs concerned, which must, therefore, be deemed implicit in Article 14(3).

164. The mere fact that a trademark enjoys reputation and renown and that it has been used for a long time is not sufficient to establish that a geographical indication will be confused with that trademark, if the two signs are not similar. For example, it is beyond dispute that "Coca-Cola" is a trademark that enjoys a formidable reputation and renown and has been used for a long time. Yet, it would be absurd to pretend that, as a result, the EC public is likely to confuse the geographical

⁴⁵ Articles 12b(3) and 12d(2) provide, respectively, that the criteria of Article 7(4) shall apply also with respect to the admissibility of objections to the registration of foreign geographical indications and of objections from outside the EC to EC geographical indications.

⁴⁶ Similar language is found in Articles 12b(3) and 12d(3) with regard to the registration of geographical indications from other WTO Members and third countries and to the registration of EC geographical indications, following an objection from outside the EC, respectively.

indication "Jijona" with the trademark "Coca-Cola", given the lack of similarity between the two signs.

165. Similar considerations can be made with respect to the similarity of goods. For example, a geographical indication for cheese may be less likely to be confused with a trademark that enjoys great reputation and renown with respect to shoes than with a trademark for cheese even if it has less renown and reputation. Similarly, the length of time during which a trademark has been used must be determined in relation to a given category of goods. To continue with the same example, a geographical indication for cheese may be less likely to be confused with a trademark for shoes that has been used for decades than with a relatively recent trademark for cheese.

166. The above examples illustrate that the likelihood of confusion between two signs cannot be properly established by considering only the length of use and the reputation/renown of one of them, but must take into account necessarily the similarity of the goods and signs concerned. An interpretation of Article 14(3) which prevented the registering authority from considering the similarity of goods and signs would be neither reasonable, nor workable, and cannot be correct. It must be concluded, therefore, that the criteria mentioned in Article 14(3) do not purport to be exhaustive.

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?

167. Article 14(3) requires the registering authority to consider the length of time during which a trademark has been used. The reason why this criterion must be considered is because, as a general rule, the longer a trademark has been used, the more distinctive it will be, and, as result, the more likely that a proposed geographical indication may be confused with it.

168. However, contrary to what has been argued by the complainants, Article 14(3) does not say that the registering authority must refuse the registration of a geographical indication only if it has been shown that the trademark has been used for a long time. It is conceivable that a trademark which has been used for a relatively short period of time may, nevertheless, have become strongly distinctive through other means (e.g. publicity), so as to make it likely that the proposed geographical will be confused with it.

Question 69

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?

169. The EC institutions have not issued any general interpretative "statement" of Article 14(3) of Regulation 2081/92. The same is true of all the other provisions of Regulation 2081/92. Indeed, unlike in other jurisdictions, it is relatively unusual for the EC authorities to issue any such general interpretative statements with respect to the EC legislative acts.

170. As mentioned in the EC's First Written Submission⁴⁷, Article 14(3) of Regulation 2081/92 has been applied only once by the EC institutions. The interpretation made in that case is consistent with the interpretation advanced by the EC in this dispute. The Council concluded that there was no likelihood of confusion with earlier trademarks "in view of the facts and information available". There is no suggestion in the Council decision that it was considered that there was no likelihood of

⁴⁷ EC's FWS, para. 288.

confusion because the trademarks concerned were not famous enough or had not been used for a sufficiently long time.

171. The EC wishes to clarify that it is not the EC's position that its trademark legislation, together with Article 14(3) of Regulation 2081/92, "render Article 14(2) inapplicable". Rather, the EC's position is that its trademark legislation, together with Article 14(3), prevent the registration of geographical indications that result in a likelihood of confusion with pre-existing trademarks, which is the only type of confusion envisaged in Article 16.1 of the TRIPS Agreement. Article 14(2) applies to other situations not involving that type of confusion where, in accordance with Article 13(1) of Regulation 2081/92, the right holders of a registered geographical indication would be entitled, in principle, to prevent the use of an earlier trademark.

Question 70

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?

172. The EC recalls that the submissions to the Panel are made on behalf of the European Communities, and not of the EC Commission.

173. The EC also recalls that Regulation 2081/92 is a measure of the European Community and not of its Member States. Therefore, in principle, only the views of the EC institutions, and not the individual views of the EC Member States, are relevant for the interpretation of Regulation 2081/92.

174. In any event, the Member States of the EC are aware of the legal interpretations stated in the EC submission. They have expressed no objections or reservations.

Could the EC member States apply national trademark laws in a way that made this impossible?

175. This question is unclear to the EC. The EC fails to see how the Member States could, through the application of their national trademark laws, prevent a correct application of Article 14(3) of Regulation 2081/92.

176. In any event, the EC Member States are required under EC law to apply their trademark laws consistently with all the relevant provisions of EC law, including in particular the Trademark Directive. For the reasons explained by the EC in its First Written Submission, the registrability criteria provided in the Trademark Directive limit *a priori* the risk of conflicts between trademarks and geographical indications. The complainants have not been able to identify one single case where a registered geographical indication has resulted in a likelihood of confusion with a trademark registered by the authorities of the Member States under their national trademark laws. This confirms that, in practice, Member States apply those laws consistently with the interpretation advanced by the EC in this dispute.

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)?

177. In principle, the Commission is not required to submit proposals to the Council. Rather, the Commission must request the opinion of the Committee in accordance with Article 15 of Regulation 2081/92 before adopting a decision granting or refusing a registration. If the Committee gives a negative opinion, the Commission must submit a proposal to the Council, which may, acting by qualified majority, adopt it or indicate its opposition within a certain period of time. The Council

could oppose a proposal from the Commission to refuse a registration on the basis of Article 14(3) if it considers that the conditions provided in that Article are not met.

Question 71

Has a judicial authority ever ruled on the interpretation of Article 14(3) of Regulation (EC) No. 2081/92?

178. As noted in the EC's First Written Submission (para. 288) Article 14(3) of Regulation (EC) No. 2081/92 has never been interpreted by the European Court of Justice or by the courts of the Member States. Once again, this confirms that, as explained by the EC, the criteria for the registrability of trademarks ensure that the potential for conflicts between trademarks and geographical indications is very limited.

179. As explained above⁴⁸, according to well-established case law of the European Court of Justice, EC law must be interpreted, to the extent possible, in a manner that ensures its consistency with the WTO Agreement, in particular where it is intended specifically to give effect to that agreement. This principle of interpretation must be observed also by the other EC institutions and by the courts of the Member States when interpreting EC law.

180. Moreover, as also explained⁴⁹, the European Court of Justice takes account of the assurances regarding the interpretation of EC law given by the EC Commission on behalf of the European Communities in international fora, such as the WTO.

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?

181. A decision refusing the registration of a proposed geographical indication on the grounds provided in Article 14(3) of Regulation 2081/92 can be challenged before the courts, just like any other decision refusing or granting the registration of a proposed geographical indication.

182. Likewise, the decisions of the trademark authorities of the Member States or of the Office for Harmonisation in the Internal Market to refuse the registration of a trademark on the grounds provided in letters (b), (c) or (g) of Article 3.1 of the Trademarks Directive, or in letters (b), (c) or (g) of Article 7.1 of the Community Trademark Regulation, respectively, are also subject to judicial review.

Question 73

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

183. The wine regulations referred to in paragraph 16 of the EC's First Oral Statement are the same mentioned in paragraphs 310-311 of the EC's First Written Submission. A copy of the relevant provisions of those regulations has been supplied as Exhibit EC-11, together with the EC's First Written Submission.

⁴⁸ Response to Question 15.

⁴⁹ Ibid.

Question 74

Which particular GIs did the EC protect under Regulation (EC) No. 2081/92 prior to 1 January 1995?

184. The registration of a geographical indication under Regulation 2081/92 produces effects vis-à-vis concurrent trademarks from the date of application (cf. Article 14(1) of Regulation 2081/92). Of the 658 geographical indications currently registered, 487 were applied for prior to 1 January 1995.

185. Furthermore, many of the geographical indications registered or applied for under Regulation 2081/92 were already protected at the Member State level prior to 1 January 1995.

Is Article 24.3 of the TRIPS Agreement relevant to any other GIs?

186. Yes. Article 24.3 requires to maintain the level of protection of geographical indications available on 1 January 1995, rather than the protection of the particular geographical indications that were registered, or applied for on that date.

187. On the interpretation suggested in the question, Article 24.3 would impose obligations only upon those Members which protect geographical indications via a system of registration, or another system involving the recognition *ex ante* of geographical indications, but not where protection is provided through other systems (e.g. unfair competition laws or generally applicable consumer protection regulations that apply indistinctly to any geographical indications).

188. For example, assume that, before 1 January 1995, a Member had legislation in place prohibiting the use of *any* geographical indications for products of a different origin, even when the geographical indication is used together with terms such as "type", "kind", etc. On the interpretation suggested in the question, after 1 January 1995, that Member would be free to repeal such legislation with respect to products other than wine and spirits, even though this would clearly "diminish the protection of geographical indications".

189. Moreover, the above result would be at odds with the principle established in Article 1.1 of the TRIPS Agreement, according to which Members are free to determine the appropriate method of implementation of their WTO obligations. Members cannot be said to be "free" to choose the method of implementation of Section 3 of Part II, if choosing a certain method has the consequence of subjecting them to stricter obligations under Article 24.3.

190. The United States has argued that the meaning of Article 24.3 is that "the protection provided to those GIs should not diminish the protections (sic) for the GIs that existed when the TRIPS Agreement came into force."⁵⁰

191. This proposition is difficult to understand. Providing protection to geographical indications cannot, as a matter of simple logic, "diminish" such protection. Rather the existing protection of geographical indications may be "diminished" as a result of the implementation of the limitations to the protection of geographical indications provided in Section 3 of Part II, including in particular those stipulated in Article 24.5 in order to maintain certain rights of the owners of grandfathered trademarks.

192. Moreover, the US interpretation has no textual basis in the wording of Article 24.3, which reads as follows:

⁵⁰ US Oral Statement, para. 70.

In implementing this section, a Member shall not diminish the protection of geographical indications that existed in that Member immediately prior to the date of entry into force of the WTO Agreement.

193. First, Article 24.3 alludes to the "protection of geographical indications", and not to the "protections" in the plural form, as argued by the United States. Moreover, the term "geographical indications" is not preceded by the word "the". This indicates that the drafters had in mind the general level of protection available in each Member. Second, the term "existed" refers to the word "protection" and not to the "geographical indications". It is not required, therefore, that the geographical indications "existed", or *a fortiori* that they had been specifically recognised as such, as of the date of entry into force of the WTO Agreement. This is made clear by the Spanish and the French versions, which read as follows, respectively:

Al aplicar esta Sección, ningún Miembro reducirá la protección de las indicaciones geográficas que **existía** en él inmediatamente antes de la fecha de entrada en vigor del Acuerdo sobre la OMC. [emphasis added]

Lorsqu'il mettra en oeuvre la présente section, un Membre ne diminuera pas la protection des indications géographiques qui **existait** dans ce Membre immédiatement avant la date d'entrée en vigueur de l'Accord sur l'OMC. [emphasis added]

194. The United States also argues that Article 24.3 is an "exception" with respect to the "implementation of the GI Section of the TRIPS Agreement" and not an "exception to the implementation of the trademark obligations".⁵¹ This argument is specious. In the first place, Article 24.3 is not an "exception" to the protection of geographical indications, because it does not exempt Members from the obligations provided under Section 3 of Part II. Rather, it adds a supplementary obligation. Second, the "protection" of geographical indications includes "protection" vis-à-vis the exercise of trademark rights. Indeed, Section 3 of Part II provides expressly for such type of protection in Articles 22.3, 23.2 and 24.5. Those provisions operate as limitations to the "trademark obligations" under Article 16.1. Article 24.3 provides for another limitation to those "trademarks obligations".

195. The objective of Article 24.3 is to maintain the balance between the protection of geographical indications and that of trademarks that existed in each Member at the entry into force of the WTO Agreement. If, prior to that date, a Member provided protection vis-à-vis trademarks going beyond that required by Section 3 of Part II, it is required to continue do so after that date. For example, if prior to 1 January 1995 a Member provided generally the type of protection required by Article 23.2 for wines and spirits with respect to all products, it must continue to do so after that date, whether or not a certain geographical indication had been specifically recognised as such before that date.

196. Finally, the United States argues that the EC interpretation would allow Members to derogate from "any WTO provision".⁵² This is simply not true. Article 24.3 requires Members to depart from other WTO provisions only to the extent necessary to maintain the existing "protection" of geographical indications. In order to "protect" geographical indications it is not necessary, for example, to limit patent rights or copyrights.⁵³ On the other hand, as mentioned, it is beyond question that "protecting" geographical indications may require to limit trademark rights.

⁵¹ Ibid.

⁵² Ibid., para. 72.

⁵³ Ibid.

Question 75

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?*

197. Article 24.5 is not an "exception" to Article 16.1. Rather, it defines the boundary between a Member's right to implement protection for geographical indications and its obligation to protect trademarks under Article 16.1.⁵⁴ The burden of proving that a measure falls within the scope of the obligations provided in Article 16.1 is on the complainants.

198. The EC notes that, while the United States now argues that Article 24.5 is an "exception"⁵⁵, in its panel request it has stated a claim under that provision. Similarly, Australia cited Article 24.5 in its panel request and has made a claim under that provision in its First Written Submission.⁵⁶

- (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?*

199. Article 17 allows Members to provide limited exceptions to the rights which they are obliged to confer upon the owner of trademark by virtue of Article 16. To that extent, it is an exception to the obligations imposed upon Members by Article 16. The function of Article 17 is similar to that of Articles 13 and 30. Previous panels have taken the view that the burden of invoking those provisions and of proving that the relevant conditions for their applicability were met was on the defendant.⁵⁷

Question 76

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.

The ordinary meaning

200. A "trademark" is not a right. It is a sign which may be the subject of a right. Thus, Article 15.1 of the TRIPS Agreement provides in relevant part that

Any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, shall be capable of constituting a trademark.

201. Therefore, the "right to use a trademark" is the right to use a sign. That right is different from, and does not include the right to prevent others from using the same or a similar sign. According to

⁵⁴ Australia's FWS, para. 105.

⁵⁵ US Oral Statement, para. 58.

⁵⁶ Australia's FWS, paras. 81-87.

⁵⁷ See Panel Report, *United States – Section 110(5) of the Copyright Act*, paras. 6.9-6.16; and Panel Report, *Canada – Patent Protection of Pharmaceutical Products*, para. 7.16.

WIPO⁵⁸, typically the owner of a registered trademark has an "exclusive right to use the trademark", which "encompasses two things":

- the "right to use the trademark" and
- the "right to exclude others from using the mark".

202. In turn, according to WIPO the "right to use a trademark" means the following:⁵⁹

It means first the right of the owner of the mark to affix it on goods, contains, packaging, labels, etc. or to use it in any other way in relation to the goods for which it is registered.

It means also the right to introduce the goods to the market under the trademark.

203. The term "validity" alludes to something which is "valid", which in turn means something "having legal strength or force, executed with proper formalities, incapable of being rightfully overthrown or set aside."⁶⁰ The opposite of "valid" is "invalid", which means "having no force, efficacy, or cogency, esp. in law".⁶¹

204. In order to be "valid", the registration of a trademark does not necessarily have to confer exclusive rights vis-à-vis all third parties. The fact that the owner of a registered trademark cannot prevent the use of the same or a similar sign by the right holders of a geographical indication does not mean that the registration of the trademark is, for that reason alone, "set aside", or "overthrown" or that it is without "legal strength" or "efficacy".

205. The US interpretation of Article 24.5 fails to give meaning to the phrase "the right to use the trademark". If the exclusive right to use a trademark were already inherent in the term "validity of the registration", it would have been superfluous to provide in Article 24.5 that the implementation of Section 3 of Part II shall not prejudice "the right to use the trademark".

206. The United States asserts that the phrase "the right to use a trademark" *clarifies* and *adds* to the protection of grandfathered trademarks already provided by the other terms of Article 24.5.⁶² However, as a matter of simple of logic, that phrase cannot do both things simultaneously. Either it *adds* an obligation, or it *clarifies* those obligations already provided by the other terms of Article 24.5.

207. If the phrase "the right to use a trademark" *adds* new obligations, it would mean that, as argued by the EC, the "validity" of a registration does not confer *per se* the exclusive right to use a trademark. Moreover, the United States does not explain how it can reconcile its position that Article 24.5 is an "exception" with the view that Article 24.5 confers to the trademark owners *additional* rights which they do not have under Article 16.

208. On the other hand, if the purpose of the phrase "the right to use a trademark" is to *clarify* the obligations provided by the other terms of Article 24.5, then why did the drafters not use *clear* wording to that effect, such as, for example, that the implementation of Section 3 of Part II is without prejudice to "the *exclusive* right to use the trademark" or to "the rights conferred by Article 16.1"?

⁵⁸ WIPO, *Introduction to Trademark Law & Practice, The Basic Concepts, a WTO Training Manual*, Geneva 1993, p.51

⁵⁹ Ibid.

⁶⁰ Black's Law Dictionary, West Publishing Co., St. Paul, Minn., 1990.

⁶¹ The New Shorter Oxford English Dictionary, Ed. Lesley Brown, Clarendon Press, Oxford 1993.

⁶² US Oral Statement, para. 64.

209. The United States also argues that the EC's interpretation would allow to "deny all the rights connected with registration" and would render it "meaningless".⁶³ This is simply not true. It must be emphasised, once again, that, on the EC's interpretation, the trademark owner retains the right to prevent all others parties from using the trademark.

210. For its part, Australia has suggested⁶⁴ that the phrase "the right to use a trademark" alludes exclusively to the trademark rights acquired through use, to which reference is made in the introductory phrase of Article 24.5. However, if so, it would have been more logical to say that the measures taken to implement Sections 3 "shall not prejudice ... the trademark rights acquired through use", rather than that they "shall not prejudice ... the right to use a trademark". Australia confuses the mode of acquisition of the trademark rights (use or registration) with one of the basic rights of the trademark owner (irrespective of whether the trademark rights have been acquired through use or registration), i.e. the right to use the trademark.

211. Moreover, trademark rights acquired through use are also, as a general rule, exclusive within the boundaries of the area in which they have been used. Article 16.1 of the TRIPS Agreement recognises expressly the right of Members to make available exclusive trademark rights on the basis of use. In view of that, there is no good reason why Article 24.5 should provide for the co-existence of geographical indications and non-registered trademarks, but prohibit the co-existence of geographical indications and registered trademarks, which would be the anomalous but necessary consequence of the complainants' interpretation.

The context

212. Article 24.5 is included in Section 3 of Part II, the purpose of which is to provide a minimum of protection to geographical indications. Such protection is subject to limitations in order to accommodate other intellectual property rights. However, it would be a paradoxical result if Article 24.5 were interpreted in such a way that, far from providing any protection to the legitimate right holders of a geographical indication, it prohibited them from even using that indication.

213. As already explained by the EC, co-existence is by no means an unusual solution. It is envisaged by several other provisions of Section 3, of Part II, and not just by Article 23.3, contrary to what is argued by the United States. Furthermore, co-existence is envisaged even where it may lead to some confusion. For example:

- Article 23.2 allows co-existence of a geographical indication for wines or spirits and a trademark consisting or including such geographical indication if used for wines and spirits originating in the area to which the geographical indication relates. *A priori*, the risk that consumers may confuse that geographical indication with the trademark may be the same as when the products covered by the trademark do not originate in that area. Nevertheless, co-existence is allowed because it does not mislead consumers as to the true geographical origin of the products;
- Co-existence may arise as well from Article 24.3, when the protection of geographical indications existing before the date of entry into force of the WTO Agreement provided for such co-existence (see the response to Question 74 above);
- Finally, co-existence is envisaged also by Article 24.4, which provides that a Member may allow "continued and similar" use of a geographical indication for wines or

⁶³ Ibid.

⁶⁴ Australia's FWS, para. 74.

spirits of another Member by its nationals or domiciliaries who have used it before 1 April 1994 in good faith or for at least 10 years preceding that date, regardless of whether this gives rise to confusion with the products of the other Member that are entitled to use that geographical indication.

Object and purpose

214. In its First Written Submission, the United States stressed that Article 16.1 had to be interpreted "in the light of the object and purpose of the TRIPS Agreement, and specifically with respect to Article 16.1 and its grant of exclusive rights".⁶⁵

215. It must be recalled, however, that, under Article 31 of the *Vienna Convention*, only the object and purpose of the treaty as a whole is relevant. To the extent that granting exclusivity to trademark owners is one of the objects and purposes of the TRIPS Agreement, so is affording exclusivity to the right holders of geographical indications. As explained, exclusivity is as essential to geographical indications as to trademarks. Indeed, it could be argued that exclusivity is even more important in the case of geographical indications because the choice of geographical indications, unlike the choice of trademarks, is not arbitrary, and because it takes longer to establish a geographical indication.⁶⁶

Drafting history

216. The United States has argued that the predecessor to the current Article 24.5 included in the so-called Brussels Draft made no reference to the right to use the trademark.⁶⁷ However, such reference was included in the predecessor to the current Article 24.4, which provided as follows:⁶⁸

Where a geographical indication of a PARTY has been used with regard to goods originating outside the territory of the PARTY in good faith and in a widespread and continuous manner by nationals or domiciliaries of another PARTY, **including as a trademark**, before the date of application of these provisions in the other PARTY as defined in Article [65] below, nothing in this Agreement shall prevent such continued use of the geographical indication by those nationals or domiciliaries of the said other PARTY. [emphasis added]

217. The scope of the above draft provision overlapped, as far as trademarks are concerned, with the predecessor to Article 24.5, which read as follows:⁶⁹

A PARTY shall not take action to refuse or invalidate registration of a trademark first applied for or registered:

(a) before the date of application of those provisions in that PARTY as defined in Article [65] below;

(b) before the geographical indication is protected in its country of origin;

on the basis that the trademark is identical with, or similar to, a geographical indication.

⁶⁵ US FWS, para. 145.

⁶⁶ EC's FWS, paras. 295 and 307.

⁶⁷ US Oral Statement, para. 64.

⁶⁸ Reproduced in Daniel Gervais, "The TRIPS Agreement, Drafting History and Analysis", Sweet and Maxwell, 1998, p. 133.

⁶⁹ Ibid.

218. The reference in the predecessor to Article 24.4 to the continued use of the geographical indications as trademarks indicates that the authors of the Brussels Draft envisaged the co-existence of trademarks and geographical indications of other Members. Such co-existence, however, would be rendered impossible by the US reading of the predecessor to Article 24.5, which would confer to the owners of the trademarks covered by the predecessor to Article 24.4 an exclusive right to use the geographical indication.

219. In the final text of the agreement, the reference to the "use of trademarks" was deleted from the predecessor to Article 24.4 and added to Article 24.5, but it has the same meaning and purpose as when it was included in Article 24.4.⁷⁰

Question 77

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?

220. As suggested in the question, if the drafters had intended to preserve the right of the owners of the grandfathered trademarks to prevent the use of the geographical indication, they would have used express language to that effect.

221. Furthermore, if Article 24.5 did not allow co-existence, the protection of geographical indications provided under Part II, Section 3, would become pointless whenever there is a grandfathered trademark. Indeed, why protect the intellectual property rights of the holders of geographical indications against illegitimate uses by third parties if the right holders cannot use it themselves? Yet, Article 24.5 assumes that Members will continue to protect geographical indications ("...measures adopted to implement this Section shall not prejudice..."), notwithstanding the existence of "grandfathered" trademarks. If the drafters' intention had been to prohibit the use of geographical indications concurrently with grandfathered trademarks, they would have excluded completely the applicability of Part II, Section 3, with respect to the geographical indications concerned, rather than providing that the implementation of that Section shall not prejudice "the right to use the trademark".

Question 86

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?

222. The fact that the Paris Convention does not provide for a right of priority in respect of indications of source (including appellations of origin) suggests that the parties to the Paris Convention were of the view that conflicts between indications of source and other industrial property rights should not be resolved according to the first-in-time principle.

⁷⁰ Several reasons may explain why the reference to the use of trademarks was deleted from Article 24.4 and added to Article 24.5. First, unlike its predecessor in the Brussels Draft, Article 24.4 applies to wines and spirits only. Second, the temporal criteria for the application of Article 24.4 were changed and differ from those of Article 24.5. Third, unlike its predecessor in the Brussels Draft, Article 24.4 applies only to the use of geographical indications by nationals and domiciliaries of the Member concerned. Finally, from a systematic point of view, it is more logic to group in the same Article all the provisions concerning the relationship between geographical indications and earlier trademarks.

Question 87

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?

223. The fact that the claims raised by the complainants are purely theoretical cast doubts on whether the complainants have a genuine interest in bringing this dispute. The EC, nevertheless, is not suggesting that the Panel's jurisdiction is affected by the complainants' apparent lack of genuine interest. In particular the EC does not consider it necessary to request the Panel to rule on whether the complainants have acted consistently with Article 3.7 of the DSU.

224. If the EC has insisted that the complainants' claims are often theoretical it is because this has implications for the Panel's assessment of whether such claims are well-founded. In particular, in some cases the fact that the complainants' claims are theoretical confirms that they are based on a misinterpretation of the measures in dispute.

225. For example, the fact that the complainants have not been able to identify any single registered geographical indication which gives rise to likelihood of confusion with any prior trademark confirms that, as argued by the EC, the criteria for registrability of trademarks, together with Article 14(3) of Regulation 2081/92, prevent the registration of confusing geographical indications.

226. Similarly, to mention but another example, the fact that Australia has not been able to provide any evidence that the EC authorities have rejected statements of objection for the reasons mentioned by Australia under Claim 21⁷¹ confirms that Article 7(4) does not provide for the limitation of the grounds of objection alleged by Australia.

Question 89

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?

227. According to Article 3.10 of the DSU, the participants in dispute settlement procedures under the DSU are bound by an obligation of good faith. The principle of estoppel is similarly based on the notion of good faith. Accordingly, the EC considers that the notion of estoppel is applicable in the context of WTO dispute settlement.

228. However, the EC considers that the Panel may not have to rely on the notion of estoppel in the present case. As the EC has set out already in its first written submission, it considers that the Panel does not have jurisdiction to hear claims which are directed at measures which were no longer in force at the time the Panel was established.⁷² Similarly, as regards the individual registrations, even if these were considered to be within the terms of reference of the Panel, the EC has already set out that these registrations in now way violate the principle of national treatment.⁷³

229. Since the claims which Australia has raised are either manifestly inadmissible or unfounded, the EC does not consider it necessary to rely on the notion of estoppel at this stage. However, the EC is ready to return to this issue at a later stage should the Panel consider it necessary.

⁷¹ Australia's FWS, paras. 89-92.

⁷² EC FWS, para. 13 et seq.

⁷³ EC FWS, para. 156 et seq.