

ANNEX A-5**WRITTEN REBUTTAL SUBMISSION OF AUSTRALIA**

(22 July 2004)

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TABLE OF CASES CITED IN THIS SUBMISSION

Short Title	Full Title
<i>Chile – Price Band System</i>	<i>Chile – Price Band System and Safeguard Measures Relating to Certain Agricultural Products</i> , Report of the Appellate Body, WT/DS/AB/R, 23 September 2002
<i>Argentina – Footwear Safeguard</i>	<i>Argentina – Safeguard Measures on Imports of Footwear</i> , Panel Report, WT/DS121/R, 25 June 1999
<i>EC – Hormones</i>	<i>EC Measures Concerning Meat and Meat Products (Hormones)</i> , Report of the Appellate Body, WT/DS26/AB/R, WT/DS48/AB/R, 16 January 1998
<i>Guatemala – Cement II</i>	<i>Guatemala – Definitive Anti-Dumping Measures on Grey Portland Cement from Mexico</i> , Panel Report, WT/DS156/R, 24 October 2000
<i>EEC – Bananas I</i>	<i>EEC – Member States' Import Regimes for Bananas</i> , DS32/R, GATT Panel Report, not adopted
<i>US – Homestyle Copyright</i>	<i>United States – Section 110(5) of the US Copyright Act</i> , Panel Report, WT/DS160/R, 15 June 2000
<i>Canada – Pharmaceutical Products</i>	<i>Canada – Patent Protection of Pharmaceutical Products</i> , Panel Report, WT/DS114/R, 17 March 2000
<i>US – Woven Shirts and Blouses</i>	<i>United States - Measures Affecting Imports of Woven Wool Shirts and Blouses from India</i> , WT/DS33/AB/R, Report of the Appellate Body, adopted 23 May 1997
<i>Korea – Beef</i>	<i>Korea – Measures Affecting Imports of Fresh, Chilled and Frozen Beef</i> , Report of the Appellate Body, WT/DS161/AB/R, WT/DS169/AB/R, 11 December 2000
<i>US – Shrimp</i>	<i>United States – Import Prohibition of Certain Shrimp and Shrimp Products</i> , Report of the Appellate Body, WT/DS58/AB/R, 12 October 1998
<i>US – Gasoline</i>	<i>United States – Standards for Reformulated and Conventional Gasoline</i> , Report of the Appellate Body, WT/DS2/AB/R, 29 April 1996
<i>EC – Asbestos</i>	<i>European Communities – Measures Affecting Asbestos and Asbestos-Containing Products</i> , Report of the Appellate Body, WT/DS135/AB/R, 12 March 2001
<i>EC – Sardines</i>	<i>European Communities – Trade Description of Sardines</i> , Report of the Appellate Body, WT/DS231/AB/R, 26 September 2002
<i>Japan – Alcoholic Beverages II</i>	<i>Japan – Taxes on Alcoholic Beverages</i> , Report of the Appellate Body, WT/DS8/AB/R, WT/DS10/AB/R, WT/DS11/AB/R, 4 October 1996
<i>US – CDSOA</i>	<i>United States – Continued Dumping and Subsidy Offset Act of 2000</i> , Report of the Appellate Body, WT/DS217/AB/R, WT/DS234/AB/R, 16 January 2003
<i>Korea – Dairy Safeguard</i>	<i>Korea – Definitive Safeguard Measure on Imports of Certain Dairy Products</i> , Report of the Appellate Body, WT/DS98/AB/R, 14 December 1999

OTHER SOURCES CITED IN THIS SUBMISSION

Short Title	Full Title
<i>OED</i>	<i>The New Shorter Oxford English Dictionary</i> , Ed. Lesley Brown, Clarendon Press, Oxford, 1993
<i>Bodenhausen</i>	<i>Guide to the Application of the Paris Convention for the Protection of Industrial Property as Revised at Stockholm in 1967</i> , Professor G H C Bodenhausen, BIRPI, 1969, WIPO reprint 1991, Geneva
<i>Gervais</i>	<i>The TRIPS Agreement: Drafting History and Analysis</i> , Daniel Gervais, Sweet & Maxwell, London, 1998

INTRODUCTORY REMARKS

1. Council Regulation (EEC) No. 2081/92 ("Regulation No. 2081/92") established a regime for the registration – and ongoing protection across the territory of the Community – of designations of origin and geographical indications as these were defined by the EC ("EC-defined GIs"). To date, approximately 640 EC-defined GIs have been registered under Regulation No. 2081/92 – and thus attract the protection in perpetuity that flows from such registration.

2. Yet more than 600 of these EC-defined GIs were registered as a result of processes which were contrary to the EC's obligations pursuant to the:

- *Agreement on Trade-Related Aspects of Intellectual Property Rights* ("the TRIPS Agreement" or "TRIPS"), including to the extent that the *TRIPS Agreement* requires compliance with provisions of the Paris Convention (1967) ("Paris");
- *General Agreement on Tariffs and Trade 1994* ("the GATT 1994" or "GATT"); and/or
- *Agreement on Technical Barriers to Trade* ("the TBT Agreement" or "TBT");

and, as a consequence, to the EC's obligations pursuant to the *Marrakesh Agreement Establishing the World Trade Organization* ("the WTO Agreement").

3. Moreover, the EC measure¹ remains in violation of the EC's WTO obligations in a variety of ways.

4. As Australia set out in its First Written Submission, Australia is not contesting the EC's right to register and protect EC-defined GIs as intellectual property.² Nor does Australia assert that the EC is required to provide protection of EC-defined GIs at either Community or EC Member State level.

5. However, Australia does contest whether – in respect of the registration of an EC-defined GI – the EC has provided the rights that it is obliged to provide to a trademark right holder or other interested party. Given that Community law takes primacy over EC Member State law in the event of a conflict, there is no effective legal right enabling a trademark right holder or other interested party to challenge particular infringing actions – even leaving aside the issue of having to seek redress in up to 25 national courts individually.

6. The stated intention of Regulation No. 2081/92 was to give protection to terms under "a Community approach" based on the system of "registered designations of origin" introduced by "certain Member States".³ That intention was initially given effect in the simplified registration process provided by the now repealed Article 17 of the Regulation, under which approximately 480 terms that were already protected or established by usage in individual EC Member States were "fast tracked" on to the Community Register. The only basis on which the "fast track" registration of a

¹ As set out in the First Written Submission of Australia (paragraph 20), the measure at issue in this dispute ("the EC measure") is the EC's regime for the registration and protection of EC-defined GIs on a Community-wide basis, comprising:

- Regulation No. 2081/92 of 14 July 1992;
 - amendments to that Regulation; and
- actions to implement and enforce that Regulation, including actions by the Commission, by the EC

Member States and judicial decisions.

² First Written Submission of Australia, paragraph 4.

³ Regulation No. 2081/92 as originally adopted, sixth and seventh recitals, Exhibit COMP-1.d.

term that was otherwise considered to meet the definition of an EC-defined GI could be opposed was that the term was generic.

7. In transposing the protection of EC-defined GIs from the EC Member State to the Community level, however, the EC did not take account of any trademark rights existing within the territory of another EC Member State. Instead, the EC in effect "deemed" the territory of the EC Member State of origin of the EC-defined GI to be the territory of the Community, and overrode – in effect, expropriated – any trademark rights in that term that may have existed in any other EC Member State. Moreover, that same situation continues to exist in respect of registrations of new EC-defined GIs.

8. The EC's action in overriding trademark rights in other EC Member States in relation to the fast track registration of EC-defined GIs is particularly noticeable when compared to the treatment of EC Member State-based trademark rights under the Community Trademark Regulation.⁴ Article 8 of that Regulation expressly provides to the proprietor of an earlier trademark, including the proprietor of an earlier trademark registered in an EC Member State, the right to oppose a Community trademark application.

9. Contrary to the EC's assertion that there is no hierarchy between TRIPS-defined GIs and trademarks⁵ under the *TRIPS Agreement*, it is in fact the EC that has established a system that clearly grants primacy to EC-defined GIs at the expense of the rights required to be conferred in respect of pre-existing trademarks.

10. The EC asserts that Australia's claims are "purely theoretical".⁶ There is, of course, no requirement that Australia demonstrate actual trade effects to be able to initiate a dispute and Australia has chosen not to identify specific commercial interests potentially affected by the EC measure. That said, Australia, Australian producers and Australian intellectual property right holders most definitely do have specific commercial – and systemic – interests potentially affected by the EC measure. Moreover, the EC cannot say that its measure has not adversely affected the nationals or products of other WTO Members: it has not provided the legal avenues by which the issues raised in this dispute can be effectively tested.

11. The EC asserts that the purported theoretical nature of Australia's claims "has implications for the Panel's assessment of whether such claims are well-founded".⁷ Australia notes in response to this extraordinary statement that Article 3.8 of the *Dispute Settlement Understanding* ("the DSU") expressly provides: "[i]n cases where there is an infringement of the obligations assumed under a covered agreement, the action is considered *prima facie* to constitute a case of nullification or impairment". The Panel's function is as set out in DSU Article 11 – "to make an objective assessment of the matter before it".

I. TERMINOLOGY USED IN THIS SUBMISSION

12. Throughout this Submission, Australia will continue to use the terminology used in its First Written Submission.

13. Thus, except where a different meaning is expressly noted, Australia will continue to use the following expressions in the sense indicated:

– "GI" to refer to a geographical indication in a general sense;

⁴ Exhibit COMP-7.

⁵ First Written Submission of the EC, paragraph 294.

⁶ EC's Response to Question 87 from the Panel following the first substantive meeting, paragraph 223.

⁷ EC's Response to Question 87 from the Panel following the first substantive meeting, paragraph 224.

- "*EC-defined GI*" to refer to both a designation of origin and a geographical indication as these are defined and used in Regulation No. 2081/92;⁸
- "*TRIPS-defined GI*" to refer to a geographical indication as this is defined in TRIPS Article 22.1;
- "*Indication of source*" to refer to an indication of source within the meaning of Paris Article 1(2). Both an EC-defined GI and a TRIPS-defined GI are categories of indications of source;
- "*Commission*" to refer to the European Commission;
- "*Official Journal*" for the *Official Journal of the European Communities*;
- "*Register*" for the *Register of protected designations of origin and protected geographical indications* provided for by Article 6.3 of Regulation No. 2081/92;
- "*Regulation No. 2081/92*" to refer to the Regulation in a broad sense or in relation to provisions that have not been amended since the Regulation originally entered into force;
- "*Regulation No. 2081/92#1*" to refer to the Regulation as originally adopted and in force from 24 July 1993;
- "*Regulation No. 2081/92#2*" to refer to the Regulation as amended by Council Regulation (EC) No. 535/97 of 17 March 1997 with effect from 28 March 1997; and
- "*Regulation No. 2081/92#3*" to refer to the Regulation as amended by Council Regulation (EC) No. 692/2003 of 8 April 2003 with effect from 24 April 2003.

14. In view of the explanations provided by the EC in its First Written Submission, however, Australia will use the phrase "Article 15 decision-making process" in lieu of the phrase "Committee of EC Member State representatives" in this Submission. In any case, Australia addresses this issue in more detail in Part IV.C of this Submission.

II. THE MEASURE AT ISSUE

A. VERSIONS OF REGULATION NO. 2081/92 NO LONGER IN FORCE

15. The EC argues that versions of Regulation No. 2081/92 which were no longer in force at the time of the Panel's establishment are not within the scope of the Panel's terms of reference.⁹

16. The EC's argument is without merit. It is premised on an inaccurate characterisation of the terms of Australia's panel establishment request that seeks to transform Australia's reference to the amendments introduced by Regulation No. 692/2003 from an illustrative to an exhaustive or exclusive basis. The EC's argument ignores the plain language of that request by equating the meaning of "[and] any amendments thereto (including ... Regulation ... No. 692/2003)" to "as amended by ... Regulation ... No. 692/2003".

⁸ Australia notes the view of the EC – at paragraph 46 of its First Written Submission – that both designations of origin and geographical indications within the meaning of Regulation No. 2081/92 are geographical indications as defined in TRIPS Article 22.1.

⁹ First Written Submission of the EC, paragraph 15.

17. The EC has not even attempted to argue that the registrations of those more than 600 EC-defined GIs were consistent with the EC's WTO obligations. The EC's whole defence of those registrations is that they were made pursuant to versions of Regulation No. 2081/92 which are no longer in force, and therefore cannot be within the Panel's terms of reference. Yet the EC's arguments ignore that, notwithstanding that earlier versions of Regulation No. 2081/92 may no longer be in force, those more than 600 registrations made pursuant to earlier versions of Regulation No. 2081/92 continue in effect – and the registered terms are protected in perpetuity.

18. In reality, the EC is seeking to shield from the Panel's scrutiny – and from the consequences of findings of WTO inconsistency – the registrations, and ongoing protection, of more than 600 EC-defined GIs pursuant to processes that were inconsistent with the EC's obligations under the TRIPS Agreement and GATT 1994. The EC is – in effect – asking the Panel to find that WTO-inconsistent implementation actions by WTO Members pursuant to short-lived statutory frameworks are beyond the reach of the WTO dispute settlement system. In Australia's view, such an interpretation of the covered agreements would be fundamentally at odds with the object and purpose of the *WTO Agreement* and the covered agreements generally, and the *Dispute Settlement Understanding* in particular.

19. Moreover, the EC is asking the Panel to make such a finding notwithstanding the potential availability of prospective remedies to bring the WTO-inconsistent EC measure into conformity, for example, by providing access for trademark right holders to civil judicial proceedings and/or by providing for just compensation for any trademark rights adversely affected by the registration – and ongoing protection – of an EC-defined GI. Even if revocation – as distinct from invalidation – were ultimately to be required in a few cases, such action would only need to have prospective effect.

B. AMENDMENTS TO THE EC MEASURE AFTER PANEL ESTABLISHMENT

20. The EC argues that a number of amendments to the EC measure made after 2 October 2003, the date of the Panel's establishment by the DSB, are not within the Panel's terms of reference.¹⁰

21. In *Chile – Price Band System*, the Appellate Body considered a situation in which an amendment to the measure at issue was enacted after the Panel had been established and while the Panel was engaged in assessing the measure. The Appellate Body considered that the amendment in question "[did] not change the price band system into a measure *different* from the price band system that was in force before the Amendment"¹¹ (*emphasis in original*). Further, the Appellate Body expressly cited with approval the finding of the Panel in *Argentina – Footwear Safeguard*, in which the Panel "decided to examine *modifications* made to the measure in issue *during* the panel proceedings, on the ground that the modifications in question did:

... not constitute entirely new safeguard measures in the sense that they were based on a different safeguard investigation, but are instead modifications of the legal form of the original definitive measure, which remains in force in substance and which is the subject of the complaint^[...] (*emphasis in original*).¹²

22. The Appellate Body's findings in *Chile – Price Band System* are particularly pertinent to the current dispute. None of the amendments identified by the EC, including the amendment relating to the accession of ten new Member States to the EC, in any way "change the essence" of the EC measure in the sense that the EC measure was – and remains – a measure concerning the availability, acquisition, scope, maintenance, use and/or enforcement within the territory of the EC of an

¹⁰ First Written Submission of the EC, paragraphs 21-25.

¹¹ *Chile – Price Band System*, paragraph 137.

¹² *Chile – Price Band System*, paragraph 138.

intellectual property right expressly provided for by the *TRIPS Agreement*, and the prevention of associated deceptive practices.¹³

23. The EC measure remains essentially the same notwithstanding the amendments to the measure made since 2 October 2003: none of the amendments changed the essence of the measure and, accordingly, those amendments form part of the measure at issue in this dispute.

III. TERMS OF REFERENCE

A. ARTICLE 4 OF THE PARIS CONVENTION AND ARTICLES 43, 44, 45, 46, 48 AND 49 OF THE TRIPS AGREEMENT

24. Australia wishes to state unambiguously that it has not asked that the Panel find – within the meaning of DSU Article 12.7 – that the EC measure is inconsistent with Paris Article 4 or with TRIPS Articles 43, 44, 45, 46, 48 or 49.¹⁴

25. However, the DSU does not preclude the Panel from considering the fact of a measure's inconsistency with other obligations established by the covered agreements in its assessment of the WTO consistency of a measure with specified provisions of the covered agreements. Indeed, an evaluation of a measure's inconsistency with certain provisions as an issue of fact – whether or not these provisions are specified as part of the legal basis of a complaint within the meaning of DSU Article 6.2 – can be a necessary pre-condition for establishing a violation of another, specified provision. Australia notes that in *EC – Hormones*, the Appellate Body said:

Panels are inhibited from addressing legal claims falling outside their terms of reference. However, nothing in the DSU limits the faculty of a panel freely to use arguments submitted by any of the parties – or to develop its own legal reasoning – to support its own findings and conclusions on the matter under its consideration. A panel might well be unable to carry out an objective assessment of the matter, as mandated by Article 11 of the DSU, if in its reasoning it had to restrict itself solely to arguments presented by the parties to the dispute. ...¹⁵

B. ARTICLE 2(2) OF THE PARIS CONVENTION

26. The EC also argues that Paris Article 2(2) is outside the Panel's terms of reference in this dispute. The EC argues that Paris Article 2(2) is not concerned with national treatment but with a prohibition on the imposition of requirements as to domicile or establishment, and was therefore not "raised" in Australia's panel request.¹⁶ Australia disagrees.

27. In Australia's view, the word "however" at the beginning of Paris Article 2(2) is properly understood in the sense of "in spite of". Thus, in spite of the fact that, under Paris Article 2(1), a country of the Union / WTO Member may impose in its domestic law a condition of domicile or establishment on its own nationals for the protection of an industrial property right, it may not do so in respect of nationals of other countries of the Union / WTO Members.¹⁷ Moreover, this interpretation

¹³ Australia notes that, in its First Written Submission, the EC itself describes Regulation No. 2081/92 as prescribing a procedure "for the registration of geographical indications" (paragraph 160), as "a procedure for the acquisition of another intellectual property right" (paragraph 327) and as laying down "an administrative procedure for the acquisition of geographical indications via a system of registration" (paragraph 359).

¹⁴ First Written Submission of the EC, paragraphs 26-35.

¹⁵ *EC – Hormones*, paragraph 61.

¹⁶ First Written Submission of the EC, paragraphs 36-42.

¹⁷ *OED*, Vol.1, page 1272, defines relevant meanings of "however" as: "[f]or all that, nevertheless, notwithstanding; but; *arch.* however much, notwithstanding that. Used in qualifying a whole cl. or sentence".

is consistent with the apparent intent of the parties to the Paris Convention when Paris Article 2(2) was amended to include the word "however".¹⁸ The use of "however" at the start of Paris Article 2(2) therefore establishes a direct and express linkage between the provisions of that paragraph and the provisions of the preceding Paris Article 2(1).

28. Paris Article 2(2) defines the boundary of permissible action in relation to domicile or establishment in the application of the national treatment obligation established by Paris Article 2(1). When a WTO Member conditions the enjoyment of advantages with respect to the protection of industrial property within the meaning of Paris Article 2(1) for nationals of countries of the Union – and thus on nationals of WTO Members – on a requirement of domicile or residence, that WTO Member is no longer in compliance with its national treatment obligation under Paris Article 2(1). Paris Article 2(2) is thus an integral aspect of a WTO Member's national treatment obligations under the Paris Convention as "incorporated" into the *WTO Agreement*, and was properly raised in Australia's panel establishment request.

IV. THE MEANING OF REGULATION NO. 2081/92

A. RULES OF INTERPRETATION OF EC LAW

29. The EC has said: "... 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".¹⁹

30. Australia notes that the European Court of Justice ("the ECJ") has held: "... in interpreting a provision of Community law it is necessary to consider its wording, its context and its aims".²⁰ This rule has been reaffirmed in a number of subsequent cases, including in an ECJ judgment of September 2003, when the ECJ held: "in interpreting a provision of Community law it is necessary to consider not only its wording but also the context in which it occurs and the aims of the rules of which it forms part".²¹

31. Thus, notwithstanding that the context and aims of provisions of Community law are key elements of the ECJ's interpretive rules, so too is the wording of a provision.

B. REGISTRATION OF AN EC-DEFINED GI RELATING TO THE TERRITORY OF ANOTHER WTO MEMBER

32. The EC says that Australia has misunderstood relevant provisions of Regulation No. 2081/92 and that the registration of an EC-defined GI from another WTO Member is not subject to the conditions of reciprocity and equivalence set down in Article 12 of Regulation No. 2081/92#3.²²

¹⁸ *Bodenhausen*, page 31.

¹⁹ EC Response to Question 1 from the Panel to the parties, paragraph 6.

²⁰ ECJ judgment: *Bosphorus Hara Yollari Turizm ve Ticaret AS v Minister for Transport, Energy and Communications and others*, case C-84/95, [1996] ECR I-3953, paragraph 11, Exhibit AUS-10, attached.

²¹ ECJ judgment: *Freistaat Sachsen and Volkswagen AG and Volkswagen Sachsen GmbH v Commission of the European Communities*, joined cases C-57/00 P and C-61/00 P, paragraph 133, Exhibit AUS-11, attached.

²² First Written Submission of the EC, paragraphs 65-69.

33. Almost since the inception of the WTO, the EC has explicitly said that Article 12.1 of Regulation No. 2081/92 applies to WTO Members who wish to take advantage of the higher level of protection offered by the Regulation.²³

34. In March 2002, the EC was considering the changes to Regulation No. 2081/92 that were eventually adopted in Regulation No. 692/2003. In a press release dated 15 March 2002,²⁴ the European Commission said:

"... [T]he proposal aims at full implementation of the TRIPS agreement^[...] and improve *[sic]* protection for geographical indications. To comply with the Commission's obligations as set out in the TRIPS Agreement, the following amendments to Regulation (EEC) No. 2081/92 are proposed:

- The right of objection to registrations is extended to WTO member country nationals with a right and a legitimate interest within EU territory. This gives WTO member country nationals the same right as EU Member State nationals to object to registrations of products within 6 months of their publication in the Official Journal of the European Communities;
- Beyond mere TRIPS consistency, the Commission proposes important amendments designed to promote the EU system denominations of origin as a model to the rest of the world. The driving idea behind is the wish to improve protection of European quality products also outside the EU. As the EU cannot force non-EU countries to do so, they would be invited to do so on a reciprocal basis. If a non-EU country introduced an equivalent system including the right of objection for the EU and the commitment to protect EU names on their territory, the EU would offer a specific procedure to register their products for the EU market; (emphases added)
- ..."

35. In September 2002, in a discussion in the TRIPS Council on issues related to the extension of the protection of GIs provided for in TRIPS Article 23 to products other than wines and spirits, the EC representative said in a written statement annexed to the Minutes of that Council meeting: "... I would like to address one issue that is raised regarding the fact that the EU register for GIs on foodstuffs does not allow the registration of foreign GI *[sic]* unless it is determined that a third

²³ For example, in 1997, in the review of the EC's legislation on trademarks, geographical indications and industrial designs by the WTO TRIPS Council, the EC said:

Question from India: How far is Article 12 of Council Regulation 2081/92/EEC in compliance with the TRIPS Agreement? Please particularly explain how: ... having inspection arrangements equivalent to Article 10 can be a requirement for non-Members of the EC, when this is not a requirement under the TRIPS Agreement? ...

EC response: It is important to stress that, in general, conditions provided in Article 12 of Regulation 2081/92/EEC are only required when a bilateral agreement is concluded between the EC and a WTO Member. This means that it only occurs when two parties voluntarily wish higher level of protection ("ex officio") than this *[sic]* provided under the TRIPS Agreement. So, this is not a compulsory condition but another option that can be used when systems are equivalent, in particular conditions under Article 4 (specifications) and Article 10 (inspection).²³ *(emphasis added)*

The EC responded in similar terms to a question from New Zealand. (WTO document IP/Q2/EEC/1 of 1 October 1997, Part II, EC's reply B.2 to Question 4 from New Zealand.)

²⁴ Press release IP/02/422, Exhibit AUS-04, lodged with Australia's Oral Statement to the first substantive meeting of the parties with the Panel.

country has an equivalent or reciprocal system of GI protection"²⁵ (*emphasis added*). In other words, the EC statement was expressly premised on the fact that the EC did not allow the registration of foreign GIs unless a third country has an equivalent or reciprocal system of GI protection. There was no qualification in that statement that the limitation on the registration of foreign GIs did not apply to GIs from WTO Members, notwithstanding that the statement was being made to the TRIPS Council, the very body charged with overseeing the functioning of the *TRIPS Agreement* under Article IV:5 of the *WTO Agreement*.

36. In November 2002, the Committee on Agriculture and Rural Development of the European Parliament issued its Report on the amendments being proposed to Regulation No. 2081/92. That Report was expressly premised on the understanding that:

The Commission is proposing a special procedure for registering products originating in third countries on the Community market. In return, third countries will, in accordance with the reciprocity principle, have to afford equivalent protection to protected Community names. Moreover, in order that products from third countries can be recognised at EU level, the third countries concerned must be able to give guarantees equivalent to those required in the Union.²⁶ (*emphases added*)

37. In March 2003, an official of the European Commission at a WIPO National Seminar on the Protection of Trademarks and Geographical Indications in Beirut said non-EU countries "can seek recognition for your country before the EU based on the fact that you have a system reciprocal to that of the EU. If your system protects GIs similarly (enforcement, level of protection), our registration system will be open to your GIs. You can conclude a bilateral agreement with the EU and all your GIs will be protected in Europe at once."²⁷

38. Yet the EC would have the Panel believe that – up until now – everyone has misunderstood the Regulation, notwithstanding:

- the plain language of Regulation No. 2081/92 itself;
- repeated statements by appointed representatives of the European Communities;
- the plain language of a press release from the European Commission itself concerning the express intent of the very amendments which the EC now relies on to argue that that Regulation No. 2081/92 is being misunderstood;
- the apparent understanding of the Committee of the European Parliament with primary authority concerning the subject matter of the express intent of the amendments which the EC now relies on to argue that Regulation No. 2081/92 is being misunderstood;

²⁵ WTO document IP/C/M/37/Add.1 of 8 November 2002, page 79.

²⁶ Report on the proposal for a Council regulation amending Regulation (EEC) No. 2081/92 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs (COM(2002) 139 – C5-0178/2002 – 2002/0066(CNS))", Committee on Agriculture and Rural Development, 6 November 2002, Exhibit COMP-14, page 20.

²⁷ "Geographical Indications and Trademarks: Harmony of Conflict", Presentation by Mrs Susanna Perez Ferreras, Administrator, Industrial Property Unit, European Commission, Brussels, at the WIPO National Seminar on the Protection of Trademarks and Geographical Indications, Beirut, March 2003, published as WIPO document WIPO /TM/BEY/ 03/11B, Exhibit AUS-05, Slide 15 (lodged with Australia's replies to questions posed by the Panel to the parties to the dispute following the first substantive meeting with the parties).

and

- the plain language of the explanation for the amendment to Article 12 of Regulation No. 2081/92 provided in recital (9) to Regulation No. 692/2003 that: "[t]he protection provided by registration under Regulation ... No 2081/92 is open to third countries' names by reciprocity and under equivalence conditions as provided for in Article 12 of that Regulation. That Article should be supplemented so as to guarantee that the Community registration procedure is available to the countries meeting those conditions"
- that is, one of the express aims of the amendments in 2003 to Article 12 of the Regulation was to guarantee that the Community registration procedure is available to countries that meet the reciprocity and equivalence conditions;

39. In purported support of its contention, the EC points²⁸ to a document: (a) which was issued after the panel in this dispute was established by the DSB; (b) which was issued by an entity other than the EC; (c) which carries an express disclaimer that it has been prepared under the WTO Secretariat's own responsibility; and (d) which – on the previous page – clearly states that reciprocity and equivalence are conditions for registration of foreign GIs in the EC. The EC also points to a statement made in the TRIPS Council on 16 June 2004 – some eight months following the establishment of the panel in this dispute – and for which, at the time of writing, there is no official WTO record.²⁹

40. In claiming that Australia has misunderstood Regulation No. 2081/92, however, the EC offers no explanations of its earlier statements, or of how so many of its own appointed representatives could have offered the same – consistently incorrect – explanations of the provisions of the Regulation, or of how such a wide range of interested observers could also have similarly misunderstood the Regulation. The EC does not explain why it did not use the opportunity of either the 29 August 2003 or the 2 October 2003 DSB meetings to correct Australia's misunderstanding, given that Australia expressly referred to the requirements for reciprocity and equivalence in making its request for the establishment of a panel at the DSB of 29 August 2003.³⁰

41. In particular, the EC has not explained why the European Commission's press release of 15 March 2002 that specifically addressed the aims of the proposed amendments to Regulation No. 2081/92 which were eventually adopted in Regulation No. 692/2003, and the recitals to Regulation No. 692/2003 itself, should not be accorded at least equal – if not greater – weight than "statements made by the EC in the course of the Panel proceedings [*which*] should also be taken into account".³¹

42. Moreover, the EC – in responding to question 15 from the Panel following the first substantive meeting with the parties to the dispute – did not address the ECJ's judgment in *Biret International* concerning the relevance of the EC's WTO obligations in implementing a Community measure.³² In that judgment, the ECJ found: "... the WTO agreements are not in principle among the

²⁸ Response of the European Communities to Question 16 from the Panel after the first substantive meeting, referring to WTO document IP/C/W/253/Rev.1.

²⁹ Indeed, Australia notes that there may not even be an official record of the EC's statement published by the time of the second substantive meeting of the parties with the Panel.

³⁰ WTO document WT/DSB/M/155, paragraph 74.

³¹ Response of the European Communities to Question 16 from the Panel after the first substantive meeting, paragraph 40.

³² Case C-93/02 P, *Biret International SA v. Council of the European Union*, Judgment of the ECJ of 30 September 2003, Exhibit AUS-07 (lodged with Australia's replies to questions posed by the Panel to the parties of the dispute following the first substantive meeting with the parties).

rules in the light of which the Court is to review the legality of measures adopted by the Community institutions ... It is only where the Community has intended to implement a particular obligation assumed in the context of the WTO, or where the Community measure refers expressly to the precise provisions of the WTO agreements, that it is for the Court to review the legality of the Community measure in question in the light of the WTO rules".³³

43. The EC has said:

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.³⁴

44. However, Regulation No. 2081/92#1 made no reference to the *General Agreement on Tariffs and Trade 1947* ("the GATT 1947") in either its recitals or in its operative provisions. Nor did it make any references – in either its recitals or its operative provisions – to the *TRIPS Agreement* or the *WTO Agreement* more generally. Further, Regulation No. 2081/92#3 makes no reference to the *WTO Agreement* in its operative provisions. Thus, consistent with established ECJ jurisprudence, the Regulation could not have been intended to implement a particular obligation assumed in the context of either the *GATT 1947* or the *WTO Agreement*.³⁵

45. Regulation No. 692/2003, however, did make references to the *WTO Agreement* in its recitals. Those references are a generic description of the *TRIPS Agreement* in recital (8), a specific reference to TRIPS Article 22 in recital (10), and a specific reference to TRIPS Article 24.5 in recital (11).

46. Having regard to the ECJ's findings in *Biret International*, the generic description of the *TRIPS Agreement* in recital (8) would seem to be irrelevant to the proper interpretation of the provisions of Regulation No. 2081/92, including the phrase "[w]ithout prejudice to international agreements" at the beginning of Article 12.1 of the Regulation, as recital (8) does not show an intent to implement a particular obligation assumed in the context of the WTO. In the alternative, recital (8) could only inform the proper interpretation of the provisions of Regulation No. 2081/92 in regard to the EC's obligations pursuant to the *TRIPS Agreement*: it could not be considered to show an intent to implement particular obligations assumed in the context of the WTO in regard to the other covered agreements, including the *GATT 1994*.

47. On the other hand, having regard to the ECJ's findings in *Biret International*, the specific references to TRIPS Article 22 in recital (10) and to TRIPS Article 4.5 in recital (11) would seem to be directly relevant to the proper interpretation of the respective specified provisions of Regulation No. 2081/92. Further, Australia notes that the findings of the ECJ in the cases cited by the EC in its response to question 15 from the Panel after the first substantive meeting would seem to have been consistent with the ECJ's findings in *Biret International*, in that the relevant WTO provisions were expressly identified in the Community measures at issue in those cases.

48. Australia submits that the EC has not disproved the factual premise informing Australia's claims that the registration of an EC-defined GI from another WTO Member is subject to the

³³ *Ibid*, paragraphs 52-53.

³⁴ Response of the European Communities to Question 3 from the Panel after the first substantive meeting, paragraph 12.

³⁵ Response of the European Communities to Question 3 from the Panel after the first substantive meeting, paragraph 12.

conditions of reciprocity and equivalence set out in paragraphs 1 and 3 of Article 12 of Regulation No. 2081/92#3. The EC's counterarguments are not sustainable on the basis of the meaning, context and aims of those provisions in accordance with the rules of interpretation of EC law.

49. Further, Australia submits that the EC has not disproved the associated factual premise informing Australia's claims that Articles 12a to 12d of Regulation No. 2081/92 only distinguish between nationals of WTO Members and nationals of other third countries where the express language of those provisions so provides.

C. ARTICLE 15 DECISION-MAKING PROCESS

50. The EC argues that Australia has consistently misrepresented the decision-making process applicable to Regulation No. 2081/92 pursuant to Article 15 of the Regulation.³⁶ However, Australia questions whether the EC's description of that process is entirely accurate.

51. As the EC itself acknowledges,³⁷ under Article 5.3 of Decision 1999/468,³⁸ the Commission can adopt a measure "[i]f the measure is in accordance with the opinion of the Committee" composed of representatives of the EC Member States. Moreover, Article 5.4 of that Decision states in relevant part: "[i]f the measures envisaged are not in accordance with the opinion of the committee, or if no opinion is delivered, the Commission shall ... submit to the Council a proposal relating to the measures to be taken ...".

52. The express language of Articles 5.3 and 5.4 of Decision 1999/468 indicates that the Commission may only decide a matter required to be referred to the Committee composed of representatives of the EC Member States with the consent of that Committee. If that consent is not forthcoming, the matter must be referred to the EC's Council of Ministers.

53. Under Article 5.6 of Decision 1999/468, once a matter has been referred to the EC's Council of Ministers, the Commission is only able to decide a matter if, after a period of three months, the Council has neither adopted nor indicated its opposition to a proposed measure.

54. The express language of Decision 1999/468 indicates that the Commission cannot decide a matter without the consent of either the Committee or the Council, or until the Council has been unable to form an opinion for three months. Moreover, this does not require exceptional circumstances – simply disagreement. Thus, the EC's statements that "[u]nder the Regulation, decisions with respect to the registration of geographical indications are in principle taken by the Commission",³⁹ "[o]nly exceptionally, if the measure is not in accordance with the opinion of the Committee, may the matter be referred to the Council of Ministers",⁴⁰ and "the decision-maker under the Regulation is the Commission, or exceptionally the Council of Ministers"⁴¹ do not accurately convey the full consequence of the decision-making process under Regulation No. 2081/92.

55. Notwithstanding that the Committee does not exercise formal decision-making authority, it must agree with the Commission's proposed decision before the Commission can formally take that decision. Alternatively, the Commission may only formally decide a matter in the absence of express approval or disapproval from the Council of Ministers. Indeed, Australia notes that the final

³⁶ First Written Submission of the EC, paragraph 79.

³⁷ First Written Submission of the EC, paragraph 82.

³⁸ Council Decision of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission (1999/468/EC), Exhibit COMP-8.

³⁹ First Written Submission of the EC, paragraph 80.

⁴⁰ First Written Submission of the EC, paragraph 82.

⁴¹ First Written Submission of the EC, paragraph 83.

preambular recital to Regulation No. 1107/96 – which authorised the first registrations of EC-defined GIs under Regulation No. 2081/92 by the simplified procedure set out in the now repealed Article 17 – expressly states:

"[w]hereas the vote in the Committee provided for in Article 15 of Regulation ... No. 2081/92 resulted in no opinion; whereas, in the absence of an opinion and in accordance with that Article, the Commission forwarded a proposal to the Council for it to act on a qualified majority within three months; whereas, given that the Council did not act within that period, the proposed measures should be adopted by the Commission".⁴²

56. In accordance with the decision-making processes applicable to Regulation No. 2081/92 pursuant to Article 15 of the Regulation, the Committee composed of representatives of the EC Member States or the Council of Ministers has to agree with the Commission's proposed decision. Alternatively, the Council of Ministers may disagree with the Commission's proposed decision. Only if the Council of Ministers is unable to form an opinion may the Commission adopt the proposed measure notwithstanding objections from a number of EC Member States.⁴³ In fact, Australia notes that the EC's own information⁴⁴ shows that almost half of the EC-defined GIs registered to date have been registered by the Commission only following the failure of the Council of Ministers to form an opinion on the Commission's proposals. This does not suggest only "exceptional" referrals to the Council.⁴⁵

57. This process is applicable to many decisions under Regulation No. 2081/92, including:

- all decisions concerning objections to the proposed registration of an EC-defined GI, irrespective of
 - whether the name is from within the EC or from another WTO Member
 - although in respect of a proposed name from an EC Member State, the decision-making process does not apply if the EC Member State of origin and an objecting EC Member State are able to reach agreement between themselves (Article 7.5 of the Regulation),
 - or
 - whether the objection comes from a national of the EC or of another WTO Member;
- whether a third country satisfies – within the meaning of Article 12.3 of the Regulation – the reciprocity and equivalence conditions of Article 12.1 of the Regulation; and
- if the Commission concludes that a name proposed by either an EC Member State or another WTO Member does not qualify for protection, the decision not to proceed with publication of the application (Articles 6.5 and 12b.1(b) of the Regulation) – which publication also constitutes publication for the purpose of inviting objections.

⁴² Australia notes that similar wording appears in recital (39) to Regulation No. 1829/2002 concerning the name "Feta". Exhibit COMP-3.b refers.

⁴³ That is, from at least a number of EC Member States that had earlier been sufficient to form a "blocking minority" to the adoption of the proposed measure by the Commission.

⁴⁴ Exhibit EC-28.

⁴⁵ First Written Submission of the EC, paragraph 82.

58. In addition, the Commission may consult the EC Member States through the Article 15 decision-making process on other issues – for example, under Articles 6.5 and 12b.1(a), before publishing the details of an application for registration of an EC-defined GI.

59. Australia submits that the EC has not disproved the factual premise informing Australia's claims that the Committee composed of EC Member State representatives and/or the Council of (EC Member States) Ministers participate in the decision-making process applicable under Regulation No. 2081/92. Confirmation of this factual premise is provided by the dispute concerning the name "Feta",⁴⁶ which is ongoing,⁴⁷ and by the number of EC-defined GIs which were registered by the Commission following the failure of the Council of Ministers to form an opinion.⁴⁸

D. PROTECTION OF HOMONYMOUS EC-DEFINED GIs

60. Article 12.2 of Regulation No. 2081/92 provides 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.

61. According to the EC:

- "the second subparagraph does not concern third country names in general, but only homonyms"⁴⁹
 - by which Australia understands the EC to say that a name that is "identical to" another name is a "homonym" of that other name;
- "'such names' applies both to third country protected names and to Community protected names";⁵⁰
- "[i]n 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";⁵¹
- "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";⁵²
- "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"⁵³;

⁴⁶ See Exhibits COMP-3.b and COMP-11.

⁴⁷ See Danish Dairy Board statement of 10 January 2003, Exhibit AUS-12, attached.

⁴⁸ Exhibit EC-28.

⁴⁹ First Written Submission of the EC, paragraph 87.

⁵⁰ First Written Submission of the EC, paragraph 88.

⁵¹ First Written Submission of the EC, paragraph 88.

⁵² First Written Submission of the EC, paragraph 138.

- "[b]oth 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";⁵⁴ and
- in response to a question from the Panel as to whether the requirement to indicate the country of origin applies 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), the EC said: "[n]o. 'Community protected name' covers only protected names of areas located in the EC. Moreover, the provision applies only to protected names".⁵⁵

62. Thus, on the basis of the EC's explanations, Article 12.2 of Regulation No. 2081/92 applies in all situations involving identical EC-defined GIs where one of those names concerns a geographical area within the EC and the other concerns a geographical area in another WTO Member.

63. However, the express basis of Article 12.2 is that there is already an EC-defined GI being protected under Regulation No. 2081/92: "[i]f a protected name of a third country is identical to a Community protected name". "[A] protected name of a third country" cannot be "identical to", that is, the same as, a "Community protected name" unless there is already a "Community protected name" in existence. Thus, contrary to the EC's explanations, having regard to its meaning, context and aims, Article 12.2 indicates that it can only apply to situations where there is already a "Community protected name" and the "protected name of a third country" is the later name to be registered.

64. Moreover, elsewhere in Regulation No. 2081/92, the word "Community" is used consistently in the sense of the territory of the Community as a whole. For example, it is used in "Community provisions" in Articles 1.2 and 4.2(i), "Community protection" in Article 2.1, "Community laws" in Article 3.1, "Community trade" in Article 5.5, "the Community" in Article 12.1, "the territory of the Community" in Articles 12b.3, 12d.2 and 14.2. Its use in Article 12.2 in the sense put forward by the EC, that is, in the sense of EC-defined GIs relating to geographical areas within the EC, would constitute the only use of "Community" in that sense in the Regulation, and would in fact seem to be inconsistent with the express function of the Regulation as set out in Article 2.1: "Community protection of [*EC-defined GIs*] shall be obtained in accordance with the Regulation".

65. Australia submits that the term "Community protected name" in fact refers to an EC-defined GI that is already being protected under Regulation No. 2081/92, irrespective of whether that name relates to a geographic area within the Community or in another WTO Member. As the EC itself acknowledges,⁵⁶ an application for the registration of an EC-defined GI from within the territory of the EC that "concerns a homonym of an already registered name from the European Union or a third country recognised in accordance with the procedure in Article 12.3" is governed by Article 6.6 of Regulation No. 2081/92.

66. Thus, Article 12.2 of Regulation No. 2081/92 should properly be considered to govern an application for the registration of an EC-defined GI from another WTO Member that meets the conditions of reciprocity and equivalence established by Article 12.1 of the Regulation where that EC-defined GI is homonymous with an EC-defined GI that is already being protected under the

⁵³ First Written Submission of the EC, paragraph 446.

⁵⁴ Response of the European Communities to Question 41(a) from the Panel after the first substantive meeting, paragraph 108.

⁵⁵ Response of the European Communities to Question 41(c) from the Panel after the first substantive meeting, paragraph 110.

⁵⁶ First Written Submission of the EC, paragraph 89.

Regulation, irrespective of whether the earlier name relates to a geographical area within the EC or in another WTO Member. Article 6.6 of the Regulation is the parallel provision governing an application for the registration of an EC-defined GI from within the EC that is homonymous with an EC-defined GI that is already being protected under the Regulation, irrespective of whether the earlier name relates to a geographical area within the EC or in another WTO Member.

67. Australia submits that the EC has not disproved the factual premise informing Australia's claims that Article 12.2 of Regulation No. 2081/92 governs an application for the registration of an EC-defined GI relating to a geographical area in another WTO Member that is identical to an EC-defined GI – whether relating to a geographical area in an EC Member State or in another WTO Member – that is already being protected within the EC pursuant to the Regulation. The EC's counterarguments are not sustainable having regard to the meaning, context and aims of those provisions in accordance with the rules of interpretation of EC laws.

E. CONCLUSION

68. DSU Article 11 sets out the functions of a panel, and expressly provides that a panel should make an objective assessment of the facts of the case. As the EC itself says, that requires that the Panel establish the meaning that Regulation No. 2081/92 would normally have within the EC's own legal order.

69. Australia submits that the Panel should find that the explanations put forward by the EC of the meanings of the provisions of Regulation No. 2081/92 concerned with the registration of an EC-defined GI relating to the territory of another WTO Member, the Article 15 decision-making process and the protection of homonymous EC-defined GIs are not consistent with the meaning that Regulation No. 2081/92 would normally have within the EC's own legal order having regard to the rules of interpretation applied by the ECJ.

70. Thus, Australia noted with particular interest the Panel's question whether a statement by the EC delegation to the Panel is legally binding on the EC, and the relevant part of the EC's response:

... [T]he statements made by the agents of the European Commission before the Panel commit and engage the European Communities.

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. ... Their purpose is ... 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.

This being said, the EC does not consider that its statements before the Panel are without legal significance. ... 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.⁵⁷ (*emphases added*)

71. The EC expressly concedes that statements made by EC representatives before the Panel regarding the interpretation of Regulation No. 2081/92 are not intended to create new legal obligations in Community law. The statements of EC representatives before the Panel cannot therefore be relied upon by the Panel to counteract conclusions concerning the meaning of the provisions of Regulation No. 2081/92 as a result of the Panel's objective assessment of the facts of the

⁵⁷ Response of the European Communities to Question 15 from the Panel after the first substantive meeting, paragraphs 29-31.

case pursuant to the Panel's obligation under DSU Article 11. Even if the statements by EC representatives before the Panel were the only basis on which to determine how Regulation No. 2081/92 were to apply, given the number of conflicting statements made by various EC representatives, WTO Members could not have any assurance of how the Regulation would be interpreted by the EC at the conclusion of the Panel's proceedings. On the other hand, should the EC apply the provisions of the Regulation in the manner it has set out, any challenge to the EC's actions to implement the Regulation would be heard before the ECJ, which would have to consider the meaning of the provisions of the Regulation in accordance with its normal rules of interpretation of Community law, that is, considering the wording, context and aims of the provisions at issue. Further, if it is open to the ECJ to look to statements made by EC representatives before the Panel, would it not also be open to the ECJ to look at statements made by other senior EC representatives and entities in other contexts?

72. Consequently, only formal amendments of the provisions of Regulation No. 2081/92 could ensure their interpretation in a manner consistent with the EC's WTO obligations.

V. ESTOPPEL

73. In its First Written Submission, the EC has several times argued that Australia would be estopped from making certain claims.⁵⁸ Moreover, according to the EC:

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".⁵⁹

74. The EC's statement is extraordinary. According to the EC's logic, estoppel forms part of the principles of the WTO dispute settlement system merely because estoppel exhibits characteristics similar to aspects of that system. This is a flawed argument.

75. DSU Article 3.10 does not affect the right of a WTO Member to bring a particular claim. Rather, DSU Article 3.10 deals with good faith participation in and observance of WTO dispute settlement procedures. It could not provide the basis for a claim of estoppel, assuming for the sake of argument that such a claim could be made.

76. Although the principle of estoppel may be grounded in the general principle of good faith (as noted by the International Court of Justice in the *Gulf of Maine Case*⁶⁰), this does not mean that a WTO Member may rely on the principle of estoppel to defeat a claim brought by another WTO Member. Nor is the principle of estoppel imported into the *WTO Agreement* by the reference in DSU Article 3.2 to the customary rules of interpretation of public international law: estoppel is not a customary rule of interpretation.

77. The principle of estoppel has been raised in earlier disputes. However, it has never been applied by a panel in determining a claim before it and there are no Appellate Body findings on the issue.

78. In *Guatemala – Cement II*, Guatemala argued that Mexico's failure to object immediately to a delay in a required notification by Guatemala gave rise to an estoppel, although Guatemala did not

⁵⁸ See, for example, paragraph 344.

⁵⁹ EC response to Question 89 from the Panel following the first substantive meeting with the parties, paragraph 227.

⁶⁰ 1984 ICJ Reports, page 305, paragraph 130.

identify a provision of a covered agreement as supporting its reliance on the principle of estoppel. The Panel in that dispute considered that:

[e]stoppel is premised on the view that where one party has been induced to act in reliance on the assurances of another party, in such a way that it would be prejudiced were the other party later to change its position, such a change in position is "estopped", that is precluded.⁶¹

79. The Panel did not find it necessary to determine whether a WTO Member could rely on the principle of estoppel, as it held that "Mexico was under no obligation to object immediately to the violations" it alleged before the Panel.⁶² The Panel went on to hold that, as Mexico had:

... raised its claims at an appropriate moment under the WTO dispute settlement procedures, Guatemala could not have reasonably relied upon Mexico's alleged lack of protest to conclude that Mexico would not bring a WTO complaint.⁶³

80. Australia notes that the Panel in *Guatemala – Cement II* held that the fact that a WTO Member does not complain about a measure at a given point in time cannot by itself deprive that WTO Member of its right to initiate a dispute at some later point in time. The lack of complaint does not create an estoppel.

81. Further, in *EEC – Bananas I*, the Panel rejected an EC argument that the complaining parties' silence regarding the GATT inconsistent banana import regimes at issue resulted in the complaining parties being estopped from making such claims. The Panel noted that "[e]stoppel could only result from the express, or in exceptional circumstances, implied, consent of the complaining parties".⁶⁴ Applying this standard the Panel found that "[t]he mere inaction of the contracting parties could not in good faith be interpreted as an expression of their consent to release the EEC from its obligations under Part II of the GATT".⁶⁵

82. Australia submits that the rationale of the Panel in *EEC – Bananas I* is equally applicable in the current case. Australia has never consented – either explicitly or implicitly – to the EC's unilateral imposition of WTO-inconsistent requirements for action on the part of Australia. Thus, not having sought a DSU process earlier cannot be interpreted as an expression of Australia's consent to release the EC from its obligations under the *TRIPS Agreement* – or indeed under any of the other covered agreements. To allow the EC's arguments to stand would lead to the perverse outcome of requiring WTO Members to hurry to dispute settlement for fear of otherwise losing their rights.

83. Even if the principle of estoppel is applicable to WTO dispute settlement – which Australia does not concede – it would not operate to prevent Australia from initiating this dispute or from pursuing any claims as part of that dispute.

VI. THE REGISTRATION AND ENFORCEMENT OF TRADEMARKS IN AUSTRALIA

84. In its First Written Submission, the EC makes a number of incorrect and/or confusing references to the situation concerning the registration and enforcement of trademarks in Australia.⁶⁶

⁶¹ *Guatemala – Cement II*, paragraph 8.23.

⁶² *Guatemala – Cement II*, paragraph 8.24.

⁶³ *Guatemala – Cement II*, paragraph 8.24.

⁶⁴ *EEC – Bananas I*, paragraph 361.

⁶⁵ *EEC – Bananas I*, paragraph 363.

⁶⁶ See, for example, paragraph 365.

The Australian trademark regime is not the measure at issue in this dispute, and the EC's references to it are irrelevant. Nevertheless, to ensure accuracy in the record, Australia notes the following points.

85. Australia's Trade Marks Act 1995 is administered by the Trade Marks Office, a part of IP Australia. Initial decisions relating to an application for registration of a trademark are made within the Trade Marks Office. Those initial decisions are appealable within the Trade Marks Office.

86. However, neither the Trade Marks Office nor IP Australia is a judicial body within the meaning of Part III of the *TRIPS Agreement*. All decisions by the Trade Marks Office concerning registration and opposition in relation to a trademark application are reviewable *de novo* by the Federal Court of Australia.

87. Thus, the situation concerning the registration and enforcement of trademarks in Australia cannot be compared to the situation concerning the registration and enforcement of an EC-defined GI under Regulation No. 2081/92. The situation in Australia is more akin to that applying in relation to the Community Trademark Regulation,⁶⁷ which is administered by the EC's Office for Harmonisation in the Internal Market (OHIM). The Community Trademark Regulation provides for an initial decision-making level and internal appeal at OHIM in respect of the registration of a trademark, with all actions for infringement of trademark rights being heard *de novo* by designated Community trademark courts.

VII. THE EC MEASURE DIMINISHES THE LEGAL PROTECTION FOR TRADEMARKS IN WAYS NOT PERMITTED BY THE TRIPS AGREEMENT

88. In its First Written Submission,⁶⁸ Australia claimed that the EC measure is inconsistent with the EC's obligations pursuant to the *TRIPS Agreement* because – in respect of the registration of EC-defined GIs – the EC measure diminishes the legal protection for pre-existing trademarks in ways not permitted by the *TRIPS Agreement*. In particular, the EC measure:

- does not grant to the owner of a registered trademark the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs for goods which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion, contrary to TRIPS Article 16.1;
- does not provide for a presumption of a likelihood of confusion in the case of use of an identical sign for identical goods, contrary to TRIPS Article 16.1;
- prejudices the validity of an application for the registration of a trademark by failing to grant the right of priority required to be granted under Paris Article 4, contrary to TRIPS Article 24.5;
- does not assure to WTO Member nationals either effective protection against unfair competition or appropriate effective legal remedies to repress acts of unfair competition as required by Paris Articles 10*bis*(1) and 10*ter*(1), contrary to TRIPS Article 2.1;
- does not make available to trademark right holders civil judicial procedures concerning the enforcement of their intellectual property rights, contrary to TRIPS Article 42;

⁶⁷ Exhibit COMP-7.

⁶⁸ First Written Submission of Australia, paragraphs 88-107

- provides procedures concerning the enforcement of trademark rights which are not fair and equitable, and which are unnecessarily complicated and entail unwarranted delays, contrary to TRIPS Article 41.2;
- does not ensure that decisions on the registration of an EC-defined GI are based only on evidence in respect of which trademark right holders were offered the opportunity to be heard, contrary to TRIPS Article 41.3;
- does not ensure the availability under its law of enforcement procedures as specified in Part III of the *TRIPS Agreement* so as to permit effective action against any act of infringement of trademark rights, contrary to TRIPS Article 41.1; and
- in respect of decisions by EC Member States to grant transitional national protection to a proposed EC-defined GI, does not ensure that such decisions are made by an EC Member State with proper regard to the rights required to be granted to trademark rights holders in accordance with the EC's obligations pursuant to the *TRIPS Agreement*.

89. Australia also claimed that, as a consequence of the EC's failure to comply with the provisions of Paris Articles 10*bis*(1) and 10*ter*(1) in respect of the registration of EC-defined GIs and in respect of decisions by EC Member States to grant transitional national protection, the EC measure is inconsistent with TRIPS Article 2.1.

90. Australia further claimed that, as a consequence of the EC measure's inconsistency with TRIPS Article 2.1 ("incorporating" by reference Paris Articles 10*bis*(1) and 10*ter*(1)), 16.1, 24.5, 41.1, 41.2, 41.3 and/or 42 in respect of the registration of EC-defined GIs and in respect of decisions by EC Member States to grant transitional national protection, the EC has failed:

- to give effect to the provisions of the *TRIPS Agreement* as required by Article 1.1 of that Agreement;
- to accord the treatment provided for in the *TRIPS Agreement* to the nationals of other WTO Members as required by Article 1.3 of that Agreement.

A. IN RESPECT OF THE REGISTRATION OF AN EC-DEFINED GI, THE EC MEASURE DOES NOT GRANT TO THE OWNER OF A REGISTERED TRADEMARK THE EXCLUSIVE RIGHT TO PREVENT CONFUSINGLY SIMILAR OR IDENTICAL USE OF A SIGN FOR SIMILAR OR IDENTICAL GOODS, CONTRARY TO ARTICLE 16.1 OF THE TRIPS AGREEMENT

- (i) *That Regulation No. 2081/92 does not allow the registration of confusing new trademarks is irrelevant to the claim at issue*

91. In the factual circumstances that underpin Australia's claim, the trademark rights already exist within the territory of the EC under EC Member State law: the trademark rights pre-date the application for registration of an EC-defined GI and possibly also the adoption of Regulation No. 2081/92 itself. Indeed, they could pre-date the adoption of Community Trademark Directive⁶⁹. Thus, that Regulation No. 2081/92 and the Community Trademark Directive – or indeed the Community Trademark Regulation⁷⁰ – might now operate, individually and/or collectively, to prevent the future acquisition of new trademark rights in geographical names does not mean that such trademark rights

⁶⁹ First Council Directive of 21 December 1988 *to approximate the laws of the Member States relating to trade marks* (89/104/EEC), Exhibit COMP-6.

⁷⁰ Council Regulation (EC) No. 40/94 of 20 December 1993 *on the Community trade mark*, Exhibit COMP-7.

do not already exist within the EC. Indeed, the "Bavaria" trademark registered in Denmark referred to in Regulation No. 1347/2001⁷¹ is just such an example.

92. Australia notes that the EC acknowledges the possibility of such a situation when it says: "... it is extremely unlikely that the situation described by Australia will ever present itself in practice"⁷² (*emphasis added*). In reality, the EC cannot say that such trademark rights do not exist because it has not provided – and still does not provide – to any such right holders the effective legal avenues to challenge an application for the registration of an EC-defined GI. However large or small the number of such trademarks may be, the EC is obliged by the express provisions of TRIPS Article 16.1 to grant to the owners of those trademarks the exclusive right to prevent in the course of trade confusing use of an identical or similar sign for identical or similar goods.

(ii) *Article 24.5 of the TRIPS Agreement does not envisage co-existence of TRIPS-defined GIs and pre-existing trademarks*

93. Article 24.5 is placed in Section 3, Part II, of the *TRIPS Agreement*, which is concerned with the "Geographical Indications" category of intellectual property rights. Moreover, TRIPS Article 24 is headed "International Negotiations: Exceptions". In Australia's view, paragraph 5 of Article 24 is one of the "exceptions" provided by that Article. Further, in the absence of an express provision to the contrary, the exceptions set out in that Article can only be exceptions to the provisions of Section 3, Part II, of the *TRIPS Agreement* concerning Geographical Indications.

94. By definition, an "exception" is something that does not follow an established rule.⁷³ Thus, in respect of the universe of trademark rights that fall within TRIPS Article 24.5 – that is, in respect of "pre-existing" trademark rights – the rules otherwise established by Section 3, Part II, of the *TRIPS Agreement* do not apply to the extent that they would prejudice, that is, adversely affect, the relevant trademark rights on the basis of being identical or similar to a TRIPS-defined GI. Conversely, had it been intended that the rights required to be granted to the owner of a registered trademark under TRIPS Article 16.1 should not apply in relation to the later registration of a TRIPS-defined GI, this would have been stated expressly in an exception within Section 2, Part II, of the *TRIPS Agreement*.

95. The EC argues at length that TRIPS Article 24.5 envisages the co-existence of GIs and pre-existing trademarks.⁷⁴ In doing so, however, the EC mischaracterises or ignores Australia's arguments, and indeed ignores the provisions of the *TRIPS Agreement* and of its own legislation. At other times,⁷⁵ the EC's arguments seem to be premised on a view that TRIPS Article 24.5 governs conflicts involving the future acquisition of trademark rights and GIs. As Australia does not make such claims or arguments, it simply notes that such arguments by the EC are irrelevant to the matter at issue.

96. Australia has not claimed – and does not claim – that TRIPS Article 16.1 requires that "trademarks must prevail over later geographical indications".⁷⁶ Rather, Australia has argued: "[t]ogether with TRIPS Articles 22.3 and 23.2, TRIPS Article 24.5 defines the boundary between a

⁷¹ Exhibit EC-9.

⁷² First Written Submission of the EC, paragraph 323.

⁷³ *OED*, Vol.1, page 872, defines "exception" in relevant part as "1 The action of excepting ... something from a group, the scope of a proposition, etc.; the state or fact of being so excepted. 2 A ... thing which is excepted; *esp.* a particular case ... that does not follow some general rule or to which a generalization is not applicable. *Foll. by to ...*"

⁷⁴ First Written Submission of the EC, paragraphs 294-311.

⁷⁵ For example, First Written Submission of the EC, paragraph 307.

⁷⁶ First Written Submission of the EC, paragraph 297.

WTO Member's right to implement measures relating to TRIPS-defined GIs and its obligation to afford protection to trademarks",⁷⁷ a statement with which the EC apparently agrees.⁷⁸

97. The EC argues that WTO Members "are entitled to provide more extensive protection for geographical indications, in accordance with Article 1.1 of the TRIPS Agreement".⁷⁹ Indeed, they are – a point expressly recognised by Australia when it said that it was not contesting the EC's right "to register and/or protect GIs as intellectual property; [or] to implement in its law more extensive protection for GIs than is required to be provided by the *TRIPS Agreement*".⁸⁰

98. However, the EC has ignored the remaining clause of that sentence in TRIPS Article 1.1: "provided that such protection does not contravene the provisions of this Agreement". Thus, more extensive protection of GIs by the EC cannot be implemented in such a way as to contravene any *TRIPS Agreement* provisions, including those concerned with trademark rights. The EC's argument that TRIPS Article 24.5 allows a WTO Member to prejudice rights of a trademark owner not referred to in that Article is therefore not sustainable.⁸¹ TRIPS Article 24.5 imposes an obligation on a WTO Member to ensure that the implementation of Section 3, Part II, of the *TRIPS Agreement* does not prejudice specific rights attaching to the universe of pre-existing trademark rights covered by that provision on the basis being identical or similar to a TRIPS-defined GI.

99. The EC argues that Article 14.2 of Regulation No. 2081/92 is fully consistent with "the right to use a trademark" provided by TRIPS Article 24.5, the trademark owner's right to use being "one of the two basic rights of the trademark owner, together with the right to prevent other persons from using that sign[...]"⁸² However, no provision of Section 2, Part II, of the *TRIPS Agreement* obliges a WTO Member to grant to a trademark right holder a "right to use a trademark". Moreover, if the EC's view of the proper interpretation of the rights of a trademark owner provided by the *TRIPS Agreement* is that such a right is so inherent in a trademark that an express statement to that effect is not required, then by its own admission the Community Trademark Regulation and Directive are inconsistent with the EC's TRIPS obligations as they do not in fact grant a right to use a trademark within the Community or require an EC Member State to grant such a right.⁸³

⁷⁷ First Written Submission of Australia, paragraph 105.

⁷⁸ First Written Submission of the EC, paragraphs 298-300.

⁷⁹ First Written Submission of the EC, paragraph 300.

⁸⁰ First Written Submission of Australia, paragraph 4.

⁸¹ Given the EC's assertions concerning the consistency of the Australian Wine and Brandy Corporation Act with the arguments put forward by Australia in this dispute (First Written Submission of the EC, footnote 152) and notwithstanding that the provisions of the Australian Wine and Brandy Corporation Act are not at issue in this dispute, Australia notes that all Australian TRIPS-defined GIs protected under that Act notwithstanding prior trademark rights are protected with the consent of the owners of those trademarks (see Australia's replies to questions 4, 5 9 from the EC to the complaining parties following the first substantive meeting with the Panel). It is not possible to compare the circumstances of this dispute to a situation in which a WTO Member has adopted a different balance of intellectual property rights as a consequence of voluntary agreement among all potentially affected right holders.

⁸² First Written Submission of the EC, paragraph 303.

⁸³ Article 9.1 of Council Regulation (EC) No. 40/94 of 20 December 1993 on the Community trade mark, Exhibit COMP-7, provides as follows (Articles 5.1 and 5.2 of First Council Directive of 21 December 1988 to approximate the laws of the Member States relating to trade marks (89/104/EEC), Exhibit COMP-6, provide similarly):

A Community trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:

(a) any sign which is identical with the Community trade mark in relation to goods or services which are identical with those for which the Community trade mark is registered;

100. In any case, in Australia's view⁸⁴ the better interpretation of TRIPS Article 24.5 is that the phrase "the right to use a trademark" only applies to trademarks to which rights have been acquired through use. The *TRIPS Agreement* does not contain any obligation to grant exclusive rights in respect of trademarks to which the rights have been acquired through use, notwithstanding that TRIPS Article 16.1 recognises that a WTO Member can choose to grant rights on that basis. It could be entirely consistent with a WTO Member's obligations pursuant to the *TRIPS Agreement* to provide a non-exclusive right to use a trademark to which rights have been acquired through use. Were TRIPS Article 24.5 to have used the phrase "exclusive right to use a trademark", it would have been presuming that trademark rights acquired through use would always be exclusive rights, which need not be the case. Further, were TRIPS Article 24.5 to have used the phrase "rights under TRIPS Article 16.1", it would have been presuming that trademark rights acquired through use would always be the same as those required to have been granted in respect of a registered trademark: again this need not be the case.

101. Should the Panel consider that the phrase "the right to use a trademark" applies to the universe of pre-existing trademark rights covered by TRIPS Article 24.5 as distinct from trademark rights acquired on the basis of use, it remains the fact that the obligation that a WTO Member "shall not prejudice ... the validity of the registration of a trademark" applies to registered trademarks within that universe of pre-existing trademark rights. Accordingly, a WTO Member's "measures adopted to implement this Section" cannot prejudice the validity of the registration of those trademarks by removing the exclusive right of the owners of those registered trademarks to prevent confusing use.

(iii) *Article 14.3 of Regulation No. 2081/92 does not allow the registration of a confusing – as distinct from a misleading – EC-defined GI to be refused*

102. The EC also argues that Article 14.3 of Regulation No. 2081/92 allows the registration of a "confusing" EC-defined GI to be refused.⁸⁵ Article 14.3 of the Regulation provides:

[An EC-defined GI] shall not be registered where, in the light of a trade mark's reputation and renown and the length of time it has been used, registration is liable to mislead the consumer as to the true identity of the product. (emphases added)

103. The reason that "Australia [*did*]" not even attempt to interpret the terms of Article 14.3⁸⁶ is, of course, that Article 14.3 of Regulation No. 2081/92 does not concern use that is liable to confuse the consumer of a good that will bear the proposed EC-defined GI that is the same as a trademark. Article 14.3 of the Regulation concerns use that is liable to mislead the consumer of a good that will bear the proposed EC-defined GI that is the same as a trademark.⁸⁷ Article 14.3 of the Regulation –

(b) any sign where, because of its identity with or similarity to the Community trade mark and the identity or similarity of the goods or services covered by the Community trade mark and the sign, there exists a likelihood of confusion on the part of the public; the likelihood of confusion includes the likelihood of association between the sign and the trade mark;

(c) any sign which is identical with or similar to the Community trade mark in relation to goods or services which are not similar to those for which the Community trade mark is registered, where the latter has a reputation in the Community and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the Community trade mark.

⁸⁴ First Written Submission of Australia, paragraph 74, and Australia's reply to Questions 76 and 77 posed by the Panel to the parties following the first substantive meeting with the parties.

⁸⁵ First Written Submission of the EC, paragraph 286.

⁸⁶ First Written Submission of the EC, paragraph 287.

⁸⁷ Moreover, contrary to the EC's statement (at footnote 140 of its First Written Submission), recital (3) to Regulation No. 1347/2001 (Exhibit EC-9) concerning the registration of "Bayerisches Bier" as an EC-defined GI expressly provides: "... it was considered ... that registration of the name 'Bayerisches Bier' was not likely

by its plain language – also requires that the issue of whether use of an EC-defined GI would mislead the consumer be determined in the light of a trademark's reputation, renown and the length of time it has been used.

104. Firstly, "misleading" establishes a stricter evidentiary standard than "confusing". The ordinary meaning of "confusing" is "perplexing, bewildering".⁸⁸ Thus, TRIPS Article 16.1 grants to the owner of a registered trademark the exclusive right to prevent use of similar or identical sign for similar or identical goods where such use would perplex or bewilder the consumer as to the source undertaking of the goods. The ordinary meaning of "misleading", on the other hand, is "[t]hat leads someone astray, that causes error; imprecise, confusing, deceptive".⁸⁹ Although "misleading" might in some contexts be synonymous with "confusing", its use in the context of TRIPS Articles 22.2 and 22.3 – use which misleads the public as to origin – makes clear that the ordinary meaning of "misleading" in context of those provisions is use which "leads someone astray or that causes error". In other words, misleading use in the sense of TRIPS Articles 22.2 and 22.3 is use which positively provokes an error on the part of a consumer. At the same time, TRIPS Articles 22.2 and 22.3 serve to confirm that the standard of "confusing" use established by TRIPS Article 16.1 is a separate standard to that of "misleading" use.

105. The context and aim of Article 14 of Regulation No. 2081/92 indicate that "misleading" in the sense of Article 14.3 has a similar meaning to "misleading" in TRIPS Articles 22.2 and 22.3, that is, that an EC-defined GI will not be registered where, in the light of a trademark's reputation and renown and the length of time it has been used, registration of the EC-defined GI is liable to cause an error on the part of the consumer as to the true identity of the product.

106. Thus, there is a category of applications for registration of an EC-defined GI – those whose use of a sign would be confusing, but not necessarily misleading – which are excluded by the express terms of Article 14.3 of Regulation No. 2081/92. Further, in respect of this category, neither the Regulation nor any other provision of EC law grants to the owner of a registered trademark the rights required to be granted by TRIPS Article 16.1 with respect to the registration of an EC-defined GI.

107. Secondly, the express terms of Article 14.3 of Regulation No. 2081/92 require that the EC determine whether registration of a name as an EC-defined GI would be misleading having regard to a trademark's reputation, renown and the length of time it has been used. Yet TRIPS Article 16.1 requires that a WTO Member grant to the owner of a registered trademark the exclusive right to prevent unauthorised use in the course of trade of identical or similar signs for identical or similar goods "where such use would result in a likelihood of confusion". That right is not in any way qualified with regard to reputation and renown and/or length of time a trademark has been in use. Thus, applications for registration of an EC-defined GI whose use of a sign would be misleading for reasons other than a trademark's reputation and renown and length of time in use again constitute a category in respect of which neither Article 14.3 of the Regulation – or any other provision of EC law – grants to the owner of a registered trademark the rights required to be granted by TRIPS Article 16.1.

108. For the owners of registered trademarks which do not meet the tests expressly established by Article 14.3 of Regulation No. 2081/92 in regard to whether registration of an EC-defined GI would be liable to mislead the consumer as to the true identity of the product in the light of a trademark's reputation and renown and the length of time it has been used, neither the Regulation – nor any other

to mislead the consumer as to the true identity of the product. Consequently, the geographical indication 'Bayerisches Bier' and the trade mark 'Bavaria' are not in the situation referred to in Article 14.3 of Regulation ... No. 2081/92" (*emphasis added*).

⁸⁸ OED, Vol.1, page 477.

⁸⁹ OED, Vol. 1, page 1791.

provision of EC law – grants to them the rights required to have been granted to them by the EC pursuant to TRIPS Article 16.1.

109. Thus, Article 14.2 and 14.3 of Regulation No. 2081/92 read together result in a situation in which – unless the registration of an EC-defined GI is liable to mislead the consumer as to the true identity of the product in the light of a trademark's reputation and renown and the length of time that trademark has been used – an earlier registered trademark and a later registered EC-defined GI must co-exist in the marketplace. Regulation No. 2081/92 simply does not provide for the refusal of the registration of an EC-defined GI that is confusingly similar or identical to a registered trademark where that EC-defined GI would not be liable to mislead the consumer as to the true identity of the product.

110. Moreover, the application of those provisions of Regulation No. 2081/92 in the "Bayerisches Bier" case is fully consistent with Australia's interpretation. Recital (3) of Regulation No. 1347/2001⁹⁰ sets out that it was considered that registration of the EC-defined GI "Bayerisches Bier" would not be misleading in relation to the existence of the name "Bavaria" as a trademark pursuant to Article 14.3 of Regulation No. 2081/92. Recital (4) of Regulation No. 1347/2001 then provides: "[t]he use of certain trademarks, for example, ... 'Bavaria' ... may continue notwithstanding the registration of the geographical indication 'Bayerisches Bier' as long as they fulfil the conditions provided for in Article 14.2 of Regulation ... No. 2081/92" (*emphasis added*). Having found that registration of "Bayerisches Bier" as an EC-defined GI would not be liable to mislead the consumer as to the true identity of the product within the meaning of Article 14.3 of Regulation No. 2081/92, the EC then considered that the trademark "Bavaria" could continue to be used "notwithstanding" – that is, in spite of – the registration of "Bayerisches Bier" as an EC-defined GI. The EC simply did not consider whether registration of "Bayerisches Bier" as an EC-defined GI would nevertheless constitute confusing use in relation to the trademark "Bavaria".

(iv) *Article 24.3 of the TRIPS Agreement is irrelevant to the matters at issue*

111. The EC argues that, irrespective of whether co-existence of EC-defined GIs and pre-existing trademarks is consistent with TRIPS Article 24.5, the EC is required to maintain such co-existence by virtue of TRIPS Article 24.3. TRIPS Article 24.3 provides:

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. (*emphases added*)

112. The "protection of geographical indications that existed in" the EC as of 31 December 1994⁹¹ within the meaning of TRIPS Article 24.3 is the protection provided by Article 13.1 of Regulation No. 2081/92. Article 13.1 of the Regulation begins: "[r]egistered names shall be protected against ...". Article 14.2 of Regulation No. 2081/92 is in the nature of an exception to that protection in respect of a trademark which fulfils the conditions laid down in Article 14.2.⁹²

113. Australia is not seeking an assessment in this dispute about the "level of" protection granted to a registered EC-defined GI pursuant to Article 13.1 of the Regulation. Rather, Australia is challenging the processes by which a property right in an EC-defined GI is acquired under Regulation

⁹⁰ Exhibit EC-9.

⁹¹ In Australia's view, "the date of entry into force of the WTO Agreement" within the meaning of TRIPS Article 24.3 is 1 January 1995. Australia assumes that the EC's reference to 31 December 1995 in paragraph 314 of its First Written Submission is a typographical error.

⁹² The seventh recital to Regulation No. 1107/96, Exhibit COMP-3.a, and Recital (4) to Regulation No. 1347/2001, Exhibit EC-9.

No. 2081/92 – and the EC's failure to observe its WTO obligations in respect of those processes. Indeed, the EC has several times described the Regulation in such terms, for example, as prescribing a procedure "for the registration of geographical indications", as "as procedure for the acquisition of another intellectual property right", and as laying down "an administrative procedure for the acquisition of geographical indications via a system of registration".⁹³

114. Removing the co-existence standard found in Article 14.2 of Regulation No. 2081/92 would not "diminish the protection of geographical indications" within the meaning of TRIPS Article 24.3. Accordingly, TRIPS Article 24.3 does not require the system of co-existence to be maintained.

115. Further, and in any case, it is Australia's view that "the protection of geographical indications" in TRIPS Article 24.3 encompasses protection actually extended to specific TRIPS-defined GIs, not merely the regime that was in place. In the context of the EC measure, this would mean that the protection actually extended to registered EC-defined GIs as of 31 December 1994 could not be diminished. However, as of that date, no EC-defined GIs were registered pursuant to Regulation No. 2081/92. The first registrations were made pursuant to Regulation No. 1107/96 of 12 June 1996.⁹⁴ Once again, TRIPS Article 24.3 does not require the system of co-existence to be maintained.

116. Finally, and again in any case, TRIPS Article 24.3 relates only to the implementation of "this Section", that is, to Section 3, Part II, of the *TRIPS Agreement* concerning Geographical Indications. The obligation to grant to the owner of a registered trademark the exclusive right to prevent confusing similar or identical use of a sign for similar or identical goods – the obligation with which the EC's requirement for co-existence is inconsistent – arises from TRIPS Article 16.1, which is in Section 2, Part II, of the *TRIPS Agreement*. TRIPS Article 24.3 does not shield the EC from implementing its obligations pursuant to provisions of the *TRIPS Agreement* other than those contained in Section 3, Part II, of that Agreement.

117. Accordingly, for all of the reasons set out above, TRIPS Article 24.3 does not require the system of co-existence to be maintained.

(v) *The requirement for co-existence of a pre-existing trademark right and an EC-defined GI cannot be justified by Article 17 of the TRIPS Agreement*

118. The EC argues in the alternative that, if Article 14.3 of Regulation No. 2081/92 does not prevent the registration of a confusing EC-defined GI and assuming further that co-existence of a pre-existing registered trademark and an EC-defined GI is neither consistent with TRIPS Article 24.5 nor required in the case of the EC by TRIPS Article 24.3, such co-existence would be justified under TRIPS Article 17.⁹⁵

119. TRIPS Article 17 has not been the subject of detailed findings in any previous dispute. However, the analogous provisions concerning the patent and copyright provisions of the *TRIPS Agreement* have been considered in previous disputes and thus provide some guidance to the proper

⁹³ First Written Submission of the EC, paragraphs 160, 327 and 359 respectively.

⁹⁴ Exhibit COMP-3.a.

⁹⁵ First Written Submission of the EC, paragraphs 315-319. Australia also notes the EC's comment in relation to the provisions of the Australian Trade Marks Act concerning use of a sign to indicate the geographical origin of goods (at footnote 154 of the EC's First Written Submission). The exception under the Act for use of sign to indicate the geographical origin of goods (section 122(1)(b)(i)) does not create an exception for a TRIPS-defined GI. Section 6 of the Act in fact expressly defines a GI in terms closely mirroring the terms of TRIPS Article 22.1. Moreover, where the Act refers to a GI as an intellectual property right, it does so expressly. Thus, for example, section 61 of the Act expressly provides for the rejection of an application for registration of a trademark that contains or consists of a false GI.

interpretation of TRIPS Article 17. TRIPS Article 30 concerning "Exceptions to Rights Conferred" in respect of patents was examined in *Canada – Pharmaceutical Products*. TRIPS Article 13 concerning "Limitations and Exceptions" in respect of copyright and related rights was examined in *US – Homestyle Copyright*.

120. In *US – Homestyle Copyright*, the Panel expressly found that the burden of proof rested on the responding party "to establish that any exception or limitation is applicable and that the conditions, if any, for invoking such exception are fulfilled".⁹⁶ Australia submits:

- firstly, that the burden of proof in relation to TRIPS Article 17 in this dispute lies similarly with the EC as the responding party "to establish that any exception or limitation is applicable and that the conditions, if any for invoking such exception are fulfilled";⁹⁷ and
- secondly, that the EC has not met that burden of proof.

121. In the event that the Panel should consider that the EC has in fact met its burden of proof, Australia submits the following arguments in rebuttal for the Panel's consideration.

122. TRIPS Article 17 permits a WTO Member to provide for "limited exceptions" – or small diminutions – to trademark rights, measured by the extent to which the exclusive rights granted by TRIPS Article 16.1 or to which other trademark rights are curtailed.⁹⁸ Those limited exceptions must take account of both the legitimate interests of the trademark owner and the legitimate interests of third parties. Thus, any limited exceptions must consider, from both legal and normative societal perspectives, the interests of both the trademark owner and third parties in light of the objectives that underlie the protection of trademark rights.⁹⁹ That said, "third parties are by definition parties who have no legal right at all in being able to perform the tasks excluded by [*the relevant IP*] rights".¹⁰⁰

123. Moreover, the requirements are cumulative, each being a separate and independent requirement that must be satisfied.¹⁰¹ Thus, for TRIPS Article 17 to be applicable, the exception must: be limited; take account of the legitimate interests of the trademark owner; and take account of the legitimate interests of third parties.

124. An exception that allows co-existence with a pre-existing trademark in every case in which an EC-defined GI is registered cannot be considered "limited" within the terms of TRIPS Article 17. Further, if TRIPS Article 24.5 does not permit co-existence, such an exception under TRIPS Article 17 would – in effect – render TRIPS Article 24.5 meaningless.

125. Moreover, an exception that allows co-existence with a pre-existing trademark in every case in which an EC-defined GI is registered denies the exclusive right to prevent confusingly similar or identical use required to be granted pursuant to TRIPS Article 16.1 and protected pursuant to TRIPS Article 24.5. Such an exception cannot therefore be considered to "take account of the legitimate interests of the owner of the trademark".

⁹⁶ *US – Homestyle Copyright*, Panel Report, paragraph 6.13.

⁹⁷ Australia notes that the EC seems to agree that it bears the burden of proof in relation to TRIPS Article 17: Response of the European Communities to Question 75(b) from the Panel after the first substantive meeting, paragraph 199.

⁹⁸ *Canada – Pharmaceutical Products*, Panel Report, paragraphs 7.30-7.31.

⁹⁹ *US – Homestyle Copyright*, Panel Report, paragraph 6.224.

¹⁰⁰ *Canada – Pharmaceutical Products*, Panel Report, paragraph 7.68.

¹⁰¹ *Canada – Pharmaceutical Products*, Panel Report, paragraph 7.20.

126. Thus, even without considering what might be the legitimate interests of third parties needing to be taken into account, the EC argument cannot satisfy the requirements of TRIPS Article 17.

127. Moreover, having regard to the text of TRIPS Article 17 and to the design and architecture of the *TRIPS Agreement* generally, Australia submits that TRIPS Article 17 neither permits – nor was intended to permit – a general release from a WTO Member's obligation to grant the basic right attached to a registered trademark in the event of acquisition of another type of intellectual property right without some express recognition of that fact.

(vi) *The EC measure does not ensure that an objection from the owner of a registered trademark is admissible or that such an objection is considered through the Article 15 decision-making process, contrary to Article 16.1 of the TRIPS Agreement*

128. Australia submits that, in respect of the registration of an EC-defined GI pursuant to the EC measure, the EC does not make available to trademark right holders civil judicial procedures concerning the enforcement of an intellectual property right, contrary to the EC's obligations under TRIPS Article 42.¹⁰²

129. Further and in any case, Australia submits that to the extent that the Article 15 decision-making process pursuant to Regulation No. 2081/92 constitutes the initial and only means through which a trademark right holder can seek to exercise the trademark rights required to be granted by the *TRIPS Agreement* in relation to the registration of an EC-defined GI, the EC measure does not ensure that an objection from the owner of a registered trademark is admissible or that such an objection is considered pursuant to the Regulation's Article 15 decision-making process.

130. The EC argues in response that TRIPS Article 16.1 does not confer a right of objection on trademark owners and that in any case Australia's arguments are factually incorrect.¹⁰³

131. While TRIPS Article 16.1 may not confer a "right of objection" in express terms, such a right is nevertheless necessary to allow exercise of the right that is expressly required by that provision to be granted to the owner of a registered trademark: the exclusive right to prevent in the course of trade confusing use of an identical or similar sign for identical or similar goods. To say that a TRIPS Article 16.1 right does not necessitate a right of objection to the proposed acquisition of another category of intellectual property right is tantamount to saying that a trademark owner may not take the only means available to prevent a confusing use of that intellectual property right from day one: that the only avenue through which trademark rights could be enforced by the owner of a registered trademark is through judicial procedures – assuming that the right holder has effective access to such procedures – after the alleged confusing use has already begun. Australia does not believe that such a view is sustainable.

132. The EC argument overlooks that, to the extent that the Article 15 decision-making process constitutes the only means through which the owner of a registered trademark can seek to exercise the rights required to be granted to that owner pursuant to TRIPS Article 16.1 in respect of the registration of an EC-defined GI, the Article 15 decision-making process is an enforcement procedure that is subject to the EC's obligations pursuant to Part III of the *TRIPS Agreement*. The only means by which the owner of a registered trademark can seek to invoke that enforcement procedure in respect of the registration of an EC-defined GI is through the right of objection provided by Regulation No. 2081/92.

¹⁰² See Part VII.E.ii below.

¹⁰³ First Written Submission of the EC, paragraphs 325-344.

133. Further, in arguing that Australia's arguments are factually incorrect,¹⁰⁴ the EC has once again overlooked the meaning, context and aims of the provisions of Regulation No. 2081/92 at issue and the actual arguments made by Australia. The express criterion for the admissibility of a statement of objection from the owner of a registered trademark pursuant to Article 7.4 of Regulation No. 2081/92 is if it "shows that registration of the name proposed would jeopardize the existence ... of a mark". "[J]eopardize the existence"¹⁰⁵ establishes a far more rigorous standard than a "likelihood of confusion". For a statement of objection to show that the existence of a trademark would be jeopardised, the statement of objection would have to show that the very being of that trademark would be threatened. The grounds of objection in Article 7.4 of Regulation No. 2081/92 are too narrow to allow the owner of a registered trademark to exercise the right required to have been granted to him/her by TRIPS Article 16.1.

134. The EC also argues that "[w]hile Member states are not required to transmit the statements objections [*sic*], their decisions are not discretionary and may be subject to judicial review under the national law of each Member State". Yet the EC does not explain how the possibility of judicial review of a procedural deficiency under an EC Member State's national law grants to the owner of a registered trademark the rights required to be granted pursuant to TRIPS Article 16.1 in respect of the registration of an EC-defined GI under Regulation No. 2081/92. Further, the EC does not even attempt to reconcile this statement with its advice before the Panel during the first substantive meeting with the parties to the dispute that Community law takes primacy over EC Member State law in the event of a conflict. It seems that – in the EC's view – the possibility of judicial review of a procedural deficiency at EC Member State level – an action, moreover, which could not in any case invalidate the Community level registration of an EC-defined GI pursuant to Regulation No. 2081/92 – is sufficient to fulfil the EC's obligation pursuant to TRIPS Article 16.1. Such an argument by the EC is not sustainable.

(vii) *Conclusion*

135. The EC has not rebutted the *prima facie* case made by Australia that, in respect of the registration of an EC-defined GI, the EC measure does not grant to the owner of a registered trademark the exclusive right to prevent confusingly similar or identical use of a sign for similar or identical goods.

136. Moreover, Australia notes the express provision of TRIPS Article 1.3 that the object of the treatment provided for in the *TRIPS Agreement* is nationals. However, in Australia's view, a degree of care is needed to ensure that a too literal interpretation of the *TRIPS Agreement* does not result in unjustifiable discrimination on the basis of the type of intellectual property at issue. The treatment of nationals cannot be considered in a vacuum divorced from context: the protection of intellectual property rights generally.

B. IN RESPECT OF THE REGISTRATION OF AN EC-DEFINED GI, THE EC MEASURE DOES NOT PROVIDE A PRESUMPTION OF A LIKELIHOOD OF CONFUSION IN THE CASE OF USE OF AN IDENTICAL SIGN FOR IDENTICAL GOODS, CONTRARY TO ARTICLE 16.1 OF THE TRIPS AGREEMENT

137. TRIPS Article 16.1 requires that a WTO Member grant to the owner of a registered trademark the evidentiary presumption of a likelihood of confusion in the event of use of an identical sign for

¹⁰⁴ First Written Submission of the EC, paragraphs 341-344.

¹⁰⁵ *OED*, Vol.1, defines "jeopardize" as "Put into jeopardy, endanger, put at risk" (page 1444) and "existence" in relevant part as "2 The fact or state of existing; actual possession of being. b Continued being; *spec.* continued being as a living creature, life, esp. under adverse conditions" (page 882).

identical goods. It would of course be open to a WTO Member to provide in its domestic law for that presumption to be rebuttable in defined circumstances.

138. The EC argues that a WTO Member is not required to reproduce the presumption explicitly in its domestic law.¹⁰⁶ Even if that is the case, however, the provisions of Regulation No. 2081/92 do not grant to the "registering authority" – and thus ultimately to the EC courts – the necessary discretion to apply the presumption.¹⁰⁷

139. The EC argues too that the situation would be extremely unlikely ever to present itself in practice.¹⁰⁸ Even if this were true, it is irrelevant: even if there is only one registered trademark within the whole of the territory of the EC that meets this criterion, the EC must grant to that trademark owner the evidentiary presumption of a likelihood of confusion in respect of the proposed registration of an EC-defined GI.

140. Finally, the EC "considers that none of the registered geographical indications falls within [the] situation" of being identical to any earlier registered trademark used for identical goods.¹⁰⁹ In reality, however, the EC simply does not know, because it has not provided the means for an owner of a registered trademark to claim the presumption in respect of the registration of an EC-defined GI.

141. The EC has not rebutted the *prima facie* case made by Australia that, in respect of the registration of an EC-defined GI pursuant to Regulation No. 2081/92, the EC does not provide to the owner of a registered trademark a presumption of a likelihood of confusion in the case of use of an identical sign for identical goods, contrary to TRIPS Article 16.1.

C. IN RESPECT OF THE REGISTRATION OF AN EC-DEFINED GI, THE EC MEASURE PREJUDICES THE VALIDITY OF AN APPLICATION FOR THE REGISTRATION OF A TRADEMARK BY FAILING TO GRANT THE RIGHT OF PRIORITY REQUIRED TO BE GRANTED UNDER ARTICLE 4 OF THE PARIS CONVENTION, CONTRARY TO ARTICLE 24.5 OF THE TRIPS AGREEMENT

142. Australia argued in straightforward terms in its First Written Submission that the EC measure does not grant – in respect of the registration of an EC-defined GI – the right of priority required to be granted by Paris Article 4 and that, as a consequence, the EC measure prejudices eligibility of an application for registration of a trademark made in good faith, contrary to TRIPS Article 24.5. As the EC acknowledges, the Paris Convention does not provide for a similar right of priority in respect of indications of source.¹¹⁰ The EC has responded to an argument that Australia has not made.¹¹¹ The EC has not rebutted the *prima facie* case made by Australia.

D. IN RESPECT OF THE REGISTRATION OF AN EC-DEFINED GI, THE EC MEASURE DOES NOT ASSURE TO WTO MEMBER NATIONALS EITHER EFFECTIVE PROTECTION AGAINST UNFAIR COMPETITION OR APPROPRIATE LEGAL REMEDIES TO REPRESS ACTS OF UNFAIR COMPETITION, CONTRARY TO ARTICLE 2.1 OF THE TRIPS AGREEMENT "INCORPORATING" ARTICLES 10BIS(1) AND 10TER(1) OF THE PARIS CONVENTION (1967)

143. The EC argues that Australia's claims are "insufficiently argued and difficult to understand".¹¹² In fact, Australia's claims are straightforward: in respect of the registration of an EC-

¹⁰⁶ First Written Submission of the EC, paragraph 322.

¹⁰⁷ See Part VII.A.iii above.

¹⁰⁸ First Written Submission of the EC, paragraph 323.

¹⁰⁹ First Written Submission of the EC, paragraph 324.

¹¹⁰ EC Response to Question 86 from the Panel following the first substantive meeting, paragraph 222.

¹¹¹ First Written Submission of the EC, paragraphs 354-356.

¹¹² First Written Submission of the EC, paragraph 399.

defined GI, the EC measure does not assure to WTO Member nationals either effective protection against unfair competition or appropriate legal remedies to repress such acts, contrary to TRIPS Article 2.1 "incorporating" Paris Articles 10*bis*(1) and 10*ter*(1).

144. Paris Article 10*bis*(2) provides that an act of unfair competition is "any act of competition contrary to honest practices in industrial or commercial matters". "[H]onest practices in industrial or commercial matters" within the meaning of Paris Article 10*bis*(2), however, include the notion of honest practices established in international trade.¹¹³ Thus, to comply with its obligation pursuant to Paris Article 10*bis*(1), a WTO Member must assure to nationals of other WTO Members effective protection against unfair competition that permits account to be taken of honest practices established in international trade.

145. It cannot be presumed that "effective protection against unfair competition" within the meaning of Paris Article 10*bis*(1) will only ever involve protection of a TRIPS-defined GI. It may be that, having regard to the principle of territoriality and to developments in international trade over time, recognition of a TRIPS-defined GI could constitute an act of unfair competition within the meaning of Paris Article 10*bis*(2).

146. It is irrelevant that the EC might not understand how the use of a registered EC-defined GI – even if the registration of that EC-defined GI was otherwise consistent with the EC's obligations pursuant to the *TRIPS Agreement* – could constitute an act of unfair competition within the meaning of Paris Article 10*bis*(2) and thus invoke the EC's obligation pursuant to Paris Article 10*bis*(1). It is also irrelevant that the use of registered EC-defined GIs "remains subject to the EC legislation on labelling and misleading advertising, as well as to the law of the EC Member States on unfair competition".¹¹⁴ As the EC itself indicates elsewhere,¹¹⁵ there is no Community "law" in the sense of a Regulation with Community level effect in relation to labelling and misleading advertising in any case. Moreover and in any event, as the EC indicated before the Panel, Community law takes primacy over EC Member State law in the event of a conflict: therefore an EC measure cannot be overturned by an EC Member State measure in any event.

147. In respect of the registration of an EC-defined GI, the provisions of Paris Articles 10*bis*(1) and 10*ter*(1) require that the EC provide to the nationals of other WTO Members "effective protection against unfair competition" and "appropriate legal remedies effectively to repress all the acts referred to in Articles ... 10*bis*". The EC does not in fact comply with those requirements and it has not rebutted Australia's *prima facie* case that, by failing to comply with those requirements, the EC has not complied with the requirements of TRIPS Article 2.1.

E. IN RESPECT OF THE REGISTRATION OF AN EC-DEFINED GI, THE EC MEASURE IS INCONSISTENT WITH ARTICLES 41.1, 41.2, 41.3 AND 42 OF THE TRIPS AGREEMENT

(i) *Introduction*

148. The EC argues¹¹⁶ that Australia's claims are unfounded because Part III of the TRIPS Agreement does not apply to Regulation No. 2081/92. The EC states that Regulation No. 2081/92 lays down an administrative procedure for the acquisition of EC-defined GIs via a system of registration, that the Regulation does not purport to regulate the procedures for enforcing trademark

¹¹³ See, for example, *Bodenhausen*, page 144, and WIPO's "Model Provisions on Protection Against Unfair Competition", Exhibit AUS-09.

¹¹⁴ First Written Submission of the EC, paragraph 400.

¹¹⁵ First Written Submission of the EC, paragraph 434.

¹¹⁶ First Written Submission of the EC, paragraphs 357-365.

rights and that the consequence of Australia's argument is that intellectual property rights would always have to be conferred by a judicial body in accordance with judicial procedures.

149. Once again, the EC misunderstands and/or mischaracterises the basis of Australia's claims.

150. Australia has not contested – and does not contest – matters concerning the enforcement of trademark rights generally, whether those trademark rights exist at Community or at EC Member State level. However, Australia notes that – pursuant to Article 159 of Regulation No. 40/94¹¹⁷ – "[the EC Trademark] Regulation shall not affect ... Regulation ... No. 2081/92 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs ..., and in particular Article 14 thereof". Thus, matters concerning the enforcement of trademark rights in respect of the registration of an EC-defined GIs are specifically excluded from the scope of Regulation No. 40/94. Moreover, they were so excluded from the time that Regulation No. 40/94 was adopted. On the other hand, the Community trademark Directive¹¹⁸ makes no mention of Regulation No. 40/94 because there is no need: as the EC has itself said before the Panel, Community law takes primacy over EC Member State law in the event of a conflict.

151. Thus neither Community trademark law nor EC Member State trademark law provide the means to enforce trademark rights in respect of the registration of an EC-defined GI.

- (ii) *In respect of the registration of an EC-defined GI, the EC measure does not make available to trademark right holders civil judicial procedures concerning the enforcement of their intellectual property rights, contrary to Article 42 of the TRIPS Agreement*

152. Irrespective of whether the Article 15 decision-making process provided by Regulation No. 2081/92 is an administrative procedure in relation to the acquisition of an intellectual property right in an EC-defined GI,¹¹⁹ the EC measure does not provide – in relation to the registration of an EC-defined GI – access to civil judicial procedures within the meaning of TRIPS Article 42 for the enforcement of the trademark rights required to be granted under TRIPS Article 16.1. The fact that a decision to register an EC-defined GI pursuant to Regulation No. 2081/92 may be subject to judicial review on points of law does not satisfy the requirement of TRIPS Article 42. The EC has not rebutted Australia's *prima facie* case in respect of this claim.

153. Further and in any case, even if the Article 15 decision-making process provided by Regulation No. 2081/92 is presumed to be an administrative procedure in relation to the acquisition of an intellectual property right in an EC-defined GI, to the extent that that decision-making process constitutes the only means through which a trademark right holder can seek to exercise the trademark rights required to have been granted by the EC pursuant to TRIPS Article 16.1 in relation to the registration of an EC-defined GI, the Article 15 decision-making procedure is an enforcement procedure subject to the EC's obligations pursuant to Part III of the *TRIPS Agreement*.

¹¹⁷ Exhibits COMP-7.a, 7.b.i and 7.b.ii. The text of what is now Article 159 of Regulation No. 40/94 was originally numbered as Article 142 (Exhibit COMP-7.a). However, it was renumbered as Article 159 pursuant to Article 1.5 of Regulation No. 1992/2003 (Exhibit COMP-7.b.i).

¹¹⁸ First Council Directive of 21 December 1988 to approximate the laws of the Member States relating to trade marks (89/104/EEC), Exhibit COMP-6.a.

¹¹⁹ Australia does not take a position on this issue at this time, noting that it requires consideration of a broad range of matters – including the nature and status of the European Communities' membership of the WTO, the shared competence of the EC and its Member States in matters covered by the *TRIPS Agreement* (in accordance with ECJ Opinion No. 1/94) and whether the Article 15 decision-making process provided by Regulation No. 2081/92 is in fact an inter-governmental process – and that resolution of the issue is not necessary to allow the Panel to make appropriate findings.

- (iii) *In respect of the registration of an EC-defined GI, the EC measure provides procedures which are not fair and equitable, and which are unnecessarily complicated and entail unwarranted delays, contrary to Article 41.2 of the TRIPS Agreement*

154. Again, the EC misunderstands and/or mischaracterises the basis of Australia's claims. Australia has not said that it can "be assumed those agencies, or their officials, are 'likely' to breach systematically those duties".¹²⁰

155. TRIPS Article 41.2 requires that "[p]rocedures concerning the enforcement of intellectual property rights shall be fair and equitable". In other words, there is an express obligation on the EC to ensure the impartiality of its procedures for the enforcement of intellectual property rights. Moreover, Article 5.5 of Regulation No. 2081/92 expressly envisages situations involving agreement between EC Member States without regard to any affected trademark rights. It is thus the case that the possibility of bias in favour of the proposed EC-defined GI cannot be seen to be excluded.

156. The EC argues that the procedures provided in Regulation No. 2081/92 are not unnecessarily complicated, or entail unwarranted delays.¹²¹ Firstly, the EC argues that it would still be necessary for the Commission to request the assistance of the EC Member State in order to verify the relevant facts. Secondly, the EC argues that another WTO Member is estopped from making such a claim should it decline to act in accordance with the requirements imposed by the Regulation, notwithstanding that the WTO Member never consented to act in accordance with the requirements imposed by the Regulation to begin with.¹²² Under neither argument, however, does the EC address the implications of the express recognition in the preambular clauses of the *TRIPS Agreement* that intellectual property rights are private rights: that, for example, a WTO Member is required to confer on the owner of a registered trademark a particular set of rights and make available the means to enforce those rights without needing to act through a government.

157. To the extent that the Article 15 decision-making process is considered to provide a means for the enforcement of a trademark right required to have been granted in accordance with the EC's obligations pursuant to TRIPS Article 16.1 in relation to the registration of an EC-defined GI, the EC has not rebutted Australia's *prima facie* case in respect of these claims.

- (iv) *In respect of the registration of an EC-defined GI, the EC measure does not ensure that decisions are based only on evidence in respect of which trademark right holders were offered the opportunity to be heard, contrary to Article 41.3 of the TRIPS Agreement*

158. To the extent that the Article 15 decision-making process is considered to provide a means for the enforcement of a trademark right required to have been granted in accordance with the EC's obligations pursuant to TRIPS Article 16.1 in relation to the registration of an EC-defined GI, the EC has not rebutted Australia's *prima facie* case in respect of this claim.

¹²⁰ First Written Submission of the EC, paragraph 381.

¹²¹ First Written Submission of the EC, paragraphs 384-386.

¹²² Australia has addressed the issue of estoppel and its relevance in this dispute in more detail above.

- (v) *In respect of the registration of an EC-defined GI, the EC measure does not ensure the availability under EC law of enforcement procedures as specified in Part III of the TRIPS Agreement so as to permit effective action against any act of infringement or trademark rights, contrary to Article 41.1 of the TRIPS Agreement*

159. The EC asserts that TRIPS Article 41.1 "is an introductory provision, which does not impose any obligation by itself" and continues "Australia appears to agree ...".¹²³ Again, the EC misunderstands Australia's claims and arguments.

160. Contrary to the EC's assertion, TRIPS Article 41.1 imposes a very clear and explicit obligation that WTO Members "shall ensure that enforcement procedures as specified in this Part are available under their law ...". Consistent with normal interpretive principles, WTO Members have a positive duty to make certain that the enforcement procedures specified in Part III of the TRIPS Agreement are available under their law for the purpose specified.

161. Thus, in respect of the registration of an EC-defined GI, a finding by the Panel that the EC measure is inconsistent with any of TRIPS Articles 41.2, 41.3 or 42 – or should the Panel otherwise consider that the EC measure does not comply with any of TRIPS Articles 43, 44, 45, 46, 48 or 49 – would consequentially require a separate finding of inconsistency with TRIPS Article 41.1.

F. IN RESPECT OF DECISIONS BY EC MEMBER STATES TO GRANT TRANSITIONAL NATIONAL PROTECTION TO A PROPOSED EC-DEFINED GI, THE EC MEASURE DIMINISHES THE LEGAL PROTECTION FOR TRADEMARKS, CONTRARY TO ARTICLES 2.1 ("INCORPORATING" ARTICLES 10BIS(1) AND 10TER(1) OF THE PARIS CONVENTION (1967)), 16.1, 41.1, 41.2, 41.3 AND/OR 42 OF THE TRIPS AGREEMENT

162. The EC says: "[t]his claim is entirely dependent on the previous claims submitted by Australia under the above listed provisions".¹²⁴

163. Nowhere in Australia's First Written Submission has Australia indicated that its claim is "entirely dependent" on Australia's other claims. Indeed, Australia's claims in respect of decisions by EC Member States to grant transitional national protection to a proposed EC-defined GI are independent of Australia's other claims and are based on the express provision of Article 5.5 of Regulation No. 2081/92 – and the absence of other provisions requiring EC Member States to grant to trademark right holders the rights required to be granted to them by the *TRIPS Agreement* in respect of a decision to grant transitional national protection.

164. In any case, Australia notes that the implicit assumption of the EC's statement – "[s]ince those claims are unfounded, so is this claim"¹²⁵ – is that if Australia's other claims are properly founded, then so is this claim as a matter of course.

165. The EC has not rebutted the *prima facie* case made by Australia in respect of decisions to grant transitional national protection to a proposed EC-defined GI.

G. CONCLUSION

166. The EC has not rebutted the *prima facie* case made by Australia that the EC measure diminishes the legal protect for trademarks in ways not permitted by the *TRIPS Agreement*, contrary to Articles 2.1 ("incorporating" Articles 10bis(1) and 10ter(1) of the Paris Convention (1967)), 16.1,

¹²³ First Written Submission of the EC, paragraph 367.

¹²⁴ First Written Submission of the EC, paragraph 408.

¹²⁵ First Written Submission of the EC, paragraph 408.

24.5, 41.1, 41.2, 41.3 and/or 42 of the *TRIPS Agreement* and, as a consequence, to Articles 1.1 and 1.3 of that Agreement.

167. Australia does not contest that the EC may choose to implement in its law more extensive protection than it is required to do by the *TRIPS Agreement*. However, that discretion is subject to the proviso that "such protection does not contravene the provisions of the *TRIPS Agreement*". Thus, the discretion offered by TRIPS Article 1.1 is a conditional discretion: it applies only to the extent that a WTO Member offering more extensive protection does so in a manner that does not contravene the provisions of the *TRIPS Agreement*. The EC measure does not meet that condition.

VIII. THE EC MEASURE DOES NOT PROVIDE THE LEGAL MEANS FOR INTERESTED PARTIES TO PREVENT MISLEADING USE OR USE WHICH CONSTITUTES AN ACT OF UNFAIR COMPETITION IN RESPECT OF GEOGRAPHICAL INDICATIONS PROPOSED TO BE REGISTERED UNDER REGULATION NO. 2081/92

168. The EC asserts that Australia's arguments in relation to this claim are "obscure".¹²⁶ Nevertheless, the EC then sets out a categorical statement as to what it considers to be the meaning of TRIPS Article 22.2, but without any argument to show that its view is supported by the actual text of TRIPS Article 22.2 in accordance with normal interpretive provisions.¹²⁷

169. Australia's claim is straightforward: in respect of the registration of an EC-defined GI, the EC does not provide the legal means for interested parties to prevent use which misleads the public as to the geographical origin of a good or use which constitutes an act of unfair competition within the meaning of Paris Article 10*bis*. The obligation established by TRIPS Article 22.2 extends to any situation that concerns TRIPS-defined GIs: it is not "concerned exclusively with the protection of geographical indications", and a trademark right holder is not necessarily excluded from being a potential "interested party" within the meaning of TRIPS Article 22.2.¹²⁸

170. As Australia has previously stated,¹²⁹ Paris Article 10*bis*(2) provides that an act of unfair competition is "any act of competition contrary to honest practices in industrial or commercial matters". "[H]onest practices in industrial or commercial matters" within the meaning of Paris Article 10*bis*(2), however, include the notion of honest practices established in international trade.¹³⁰ It may be that, having regard to the principle of territoriality and to developments in international trade over time, registration and ongoing protection of a TRIPS-defined GI could constitute an act of unfair competition within the meaning of Paris Article 10*bis*(2). For example, it is entirely possible that there are products which, while originally based on a European production process, have been further developed and refined outside the European country of origin and which have subsequently come to represent the "international" trading standard for that product: to register the original geographic name under Regulation No. 2081/92 in such circumstances – notwithstanding that the product may qualify for registration – could well constitute misleading use or use which constitutes an act of unfair competition within the meaning of Paris Article 10*bis*, even within the EC. Yet the EC does not provide any effective legal avenue through which such issues can be tested.

171. To comply with its obligation pursuant to TRIPS Article 22.2 in respect of the registration of an EC-defined GI, a WTO Member must provide the legal means for interested parties to prevent

¹²⁶ First Written Submission of the EC, paragraph 411.

¹²⁷ First Written Submission of the EC, paragraph 412.

¹²⁸ First Written Submission of the EC, paragraph 412.

¹²⁹ See Part VII.D above.

¹³⁰ See, for example, *Bodenhausen*, page 144, and WIPO's "Model Provisions on Protection Against Unfair Competition", Exhibit AUS-09.

misleading use or use which constitutes an act of unfair competition within the meaning of Paris Article 10*bis*. The EC cannot rely on EC Member State unfair competition law in this regard because, as the EC explained before the Panel, Community law takes primacy over EC Member State law in the event of a conflict.

IX. THE EC MEASURE DOES NOT ACCORD TO NATIONALS OR PRODUCTS OF EACH WTO MEMBER TREATMENT NO LESS FAVOURABLE THAN THAT IT ACCORDS TO ITS OWN NATIONALS OR TO LIKE PRODUCTS OF DOMESTIC ORIGIN

172. In its First Written Submission, Australia claimed that the EC measure is inconsistent with the EC's national treatment obligations pursuant to GATT Article III:4,¹³¹ and TRIPS Articles 2.1 ("incorporating" the provisions of Paris Article 2) and 3.1.¹³²

A. THE REQUIREMENT FOR THE INVOLVEMENT OF ANOTHER WTO MEMBER GOVERNMENT CONSTITUTES LESS FAVOURABLE TREATMENT UNDER THE EC MEASURE

173. The EC indicates a number of times that it does not consider the requirement established in Regulation No. 2081/92 for involvement by another WTO Member government in the process of acquisition or enforcement of an intellectual property right to constitute less favourable treatment.¹³³

174. Australia expressly endorses and adopts Canada's clear and succinct portrayal of the issues concerning the relationship between WTO Members, the EC, the EC Member States and nationals raised by the EC's argument.¹³⁴ In particular, Australia would like to highlight Canada's statement that, having regard to the EC's explanation that "the subject matter of the present dispute falls within the exclusive competence of the EC, and not of the Member States"¹³⁵:

... the EC Regulation is the equivalent of a national measure, and that any functions carried out by EC Member States for the purposes of implementing the EC Regulation are carried out as sub-national units of the EC. ...¹³⁶

175. In respect of matters concerning the registration of an EC-defined GI under Regulation No. 2081/92, it is treatment at EC level ("the national level") which determines whether the EC has met its national treatment obligation under each of the *TRIPS Agreement*, *GATT 1994* and the *TBT Agreement*. As Australia pointed out in its First Written Submission,¹³⁷ any outward appearance of symmetry of treatment in fact masks a fundamentally different situation. It is a supposed symmetry – or equality – of treatment that is in fact premised on other WTO Members being "sub-national" units of the EC.

176. Thus, wherever the EC relies on an assertion of ensuring "equal treatment"¹³⁸ of EC and non-EC nationals and products as a defence to a claim of a national treatment violation, the EC has not rebutted the *prima facie* case made by Australia.

¹³¹ First Written Submission of Australia, paragraphs 157-180.

¹³² First Written Submission of Australia, paragraphs 181-206.

¹³³ See, for example, First Written Submission of the EC, paragraphs 128-129, 145-146 and 207.

¹³⁴ Third Party Oral Statement of Canada, paragraphs 11-17.

¹³⁵ First Written Submission of the EC, paragraph 255.

¹³⁶ Third Party Oral Statement of Canada, paragraph 15.

¹³⁷ See, for example, paragraph 174.

¹³⁸ See, for example, First Written Submission of the EC, paragraphs 129, 146 and 207.

- B. IN RESPECT OF PRODUCTS BEARING – OR ELIGIBLE TO BEAR – AN EC-DEFINED GI, THE EC MEASURE ACCORDS TO THE PRODUCTS OF OTHER WTO MEMBERS TREATMENT LESS FAVOURABLE THAN THAT IT ACCORDS TO LIKE PRODUCTS OF NATIONAL ORIGIN, CONTRARY TO ARTICLE III:4 OF GATT 1994

177. The EC's major defence to Australia's claim is that Regulation No. 2081/92 "does not impose a condition of reciprocity and systemic equivalence for the registration of geographical indications from other WTO Members".¹³⁹ Together with the EC's attempted explanations that the requirements of paragraphs 1 and 3 of Article 12 of Regulation No. 2081/92#3 do not apply to other WTO Members,¹⁴⁰ these statements in effect constitute an admission by the EC that the equivalence and reciprocity conditions of those provisions are inconsistent with the EC's WTO obligations.

178. Thus, to the extent that the Panel considers that the EC's explanations of the meaning of Articles 12.1 and 12.3 of Regulation No. 2081/92 are not sustainable on the basis of the meaning, context and aims of those provisions in accordance with the rules of interpretation of EC law, the EC has not rebutted the *prima facie* case made by Australia.

179. Moreover, should the Panel consider that Article 12.2 of Regulation No. 2081/92 does not constitute a technical regulation within the meaning of Annex 1.1 of the *TBT Agreement*,¹⁴¹ Australia notes that Article 12.2 nevertheless accords treatment less favourable to imported products bearing – or eligible to bear – an EC-defined GI than that accorded to like products of EC origin bearing – or eligible to bear – an EC-defined GI, inconsistently with GATT Article III:4. In the circumstances in which it applies, Article 12.2 mandates that the imported like product bearing the later, or second, registered EC-defined GI also carry a country of origin label. On the other hand, Article 6.6 does not mandate such a requirement where the later, or second, registered EC-defined GI is a like product of domestic origin.

180. The EC seems – in the alternative – to be invoking GATT Article XX(d) as a justification in respect of at least some of Australia's GATT Article III:4 claim.¹⁴²

181. However, despite the fact that it bears the burden of proof in invoking such a defence,¹⁴³ the EC has not attempted to show that Regulation No. 2081/92 could be justified under GATT Article XX(d). Australia notes that the findings of the Appellate Body in the *Korea – Beef, US – Shrimp* and *US – Gasoline* disputes provide guidance as to the tests which would have to be met for an affirmative defence pursuant to GATT Article XX(d) to be available to the EC:

- firstly, for the measure at issue to be provisionally justified, that the measure is designed "to secure compliance with laws or regulations which are not inconsistent with the provisions of" *GATT 1994*, and that the measure is "necessary" to secure such compliance; and
- secondly, further appraisal of the measure under the chapeau of GATT Article XX.

¹³⁹ First Written Submission of the EC, paragraph 203.

¹⁴⁰ First Written Submission of the EC, paragraph 66.

¹⁴¹ See Parts X.A and X.B below.

¹⁴² First Written Submission of the EC, paragraphs 190 and 224-226.

¹⁴³ *US – Woven Shirts and Blouses*, Appellate Body Report, page 14.

- C. IN RESPECT OF APPLICATIONS FOR – OR OBJECTIONS TO – THE REGISTRATION OF AN EC-DEFINED GI, THE EC MEASURE DOES NOT ACCORD NATIONAL TREATMENT TO NATIONALS OF OTHER WTO MEMBERS, CONTRARY TO ARTICLES 2.1 ("INCORPORATING" ARTICLE 2 OF THE PARIS CONVENTION (1967)) AND 3.1 OF THE TRIPS AGREEMENT

182. In its attempt to rebut Australia's claims under these provisions, the EC has repeatedly ignored or confused the basis of Australia's claims. For example, the EC asserts that Australia has made "no attempt to establish that Regulation 2081/92 discriminates between nationals of the EC and nationals of other WTO members"¹⁴⁴ (*emphases in original*). On the other hand, 10 of the first 11 of the EC's own headings to describe the claims being made – including those by Australia – include the word "national", "rightholder" and/or "person".

183. Once again, the EC relies primarily on the defence that the EC does not apply conditions of reciprocity and equivalence to the registration of an EC-defined GI from another WTO Member. Thus, to the extent that the Panel considers that the EC's explanations of the applicability of Articles 12.1 and 12.3 of Regulation No. 2081/92 are not sustainable on the basis of the meaning, context and aims of those provisions having regard to the rules of interpretation of EC law, the EC has not rebutted the *prima facie* case made by Australia.

184. However, Australia notes the surprising statements by the EC that the conditions for the registration of EC-defined GIs under Regulation No. 2081/92 do not depend on nationality¹⁴⁵ and that "[w]hether the area to which a geographic [*sic*] 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".¹⁴⁶ The reality is that persons with an interest in securing the registration of the name of a geographical area as an EC-defined GI will overwhelmingly be nationals of the WTO Member in which that geographical area is located. Accordingly, Australia expressly endorses and adopts New Zealand's very clear and concise explanation of why the EC's interpretation would render meaningless a WTO Member's national treatment obligation:

If the EC's interpretation of 'nationals' were to prevail, then even if the EC Regulation provided that only geographical indications located in the EC could be registered, the national treatment obligations would not be violated: in theory, the nationals of any country could live in the EC and register EC geographical indications. But this would mean that persons interested in registering geographical indications located outside the EC would not be able to do so. They would be disadvantaged in the EC market. ... [A]ccepting the EC's interpretation of 'nationals' would gut the national treatment obligation under the *TRIPS Agreement* of any value with respect to geographical indications.¹⁴⁷

185. Further, the EC argues that the Panel should reject Australia's claim of a violation of the EC's TRIPS and Paris Convention national treatment obligations in respect of the registration of more than 120 EC-defined GIs under the normal registration process. The EC's arguments concerning versions of Regulation No. 2081/92 no longer in force and registrations made thereunder which continue in effect are addressed in Part II.A of this Submission above. The EC also asserts – without any supporting argument – that the individual registrations of those more than 120 EC-defined GIs were not in violation of the EC's national treatment obligations. The EC makes this assertion notwithstanding: that a right of objection was available to EC nationals in respect of these more than 120 EC-defined GIs that was not available to nationals of other WTO Members; and the express

¹⁴⁴ First Written Submission of the EC, paragraph 110.

¹⁴⁵ First Written Submission of the EC, paragraphs 123-126.

¹⁴⁶ First Written Submission of the EC, paragraph 125.

¹⁴⁷ Third Party Oral Statement of New Zealand, paragraph 9.

statement of the intent of Regulation No. 692/2003 in Recital (10) to grant a right of objection to nationals of other WTO Members on the same terms as the right available to EC nationals.¹⁴⁸ The EC has not rebutted the *prima facie* case made by Australia.

D. CONCLUSION

186. The EC has not rebutted the *prima facie* case made by Australia that the EC measure is inconsistent with the EC's national treatment obligations pursuant to GATT Article III:4 and TRIPS Articles 2.1 ("incorporating" the provisions of Paris Article 2) and 3.1.

187. Further, as a consequence of the EC measure's inconsistency with TRIPS Articles 2.1 ("incorporating" by reference Paris Article 2) and 3.1 in respect of the registration of EC-defined GIs, the EC measure is inconsistent with the EC's obligations pursuant to Articles 1.1 and 1.3 of the *TRIPS Agreement*.

X. THE EC MEASURE IS, IN PART, A TECHNICAL REGULATION THAT ACCORDS LESS FAVOURABLE TREATMENT TO IMPORTED PRODUCTS THAN TO LIKE DOMESTIC PRODUCTS AND CREATES UNNECESSARY OBSTACLES TO INTERNATIONAL TRADE, BEING MORE TRADE-RESTRICTIVE THAN NECESSARY TO FULFIL A LEGITIMATE OBJECTIVE, TAKING ACCOUNT OF THE RISKS NON-FULFILMENT WOULD CREATE

188. In its First Written Submission, Australia claimed that, to the extent that Article 12.2 of Regulation No. 2081/92 is a mandatory labelling provision that applies to imported products bearing – or eligible to bear – an EC-defined GI that is identical to an EC-defined GI from within the EC already registered under the Regulation for a like domestic product and provides no discretion for the EC to apply the provision in such a way as to avoid less favourable treatment to the imported product, the EC measure is a technical regulation that is inconsistent with TBT Article 2.1.

189. Further, Australia claimed that, to the extent that Articles 4, 10 and 12.1 of Regulation No. 2081/92 establish a mandatory requirement for another WTO Member to have in place in all circumstances an inspection structure consistent with the requirements of Article 10 of the Regulation, the EC measure is a technical regulation that is more trade restrictive than necessary to fulfil a legitimate objective, taking account of the risks non-fulfilment would create, contrary to TBT Article 2.2.

A. THE EC MEASURE IS, IN PART, A TECHNICAL REGULATION WITHIN THE MEANING OF ANNEX 1.1 OF THE TBT AGREEMENT

190. As set out by both Australia and the EC,¹⁴⁹ the Appellate Body has found that the definition of a "technical regulation" in TBT Annex 1.1 establishes three criteria. Australia has argued that Article 12. 2 – and Articles 4 and 10 read together – of Regulation No. 2081/92 are technical regulations in accordance with the TBT Annex 1.1 definition. In response, the EC argues that none of the three criteria are met with respect to Article 12.2 of the Regulation and, in the case of Articles 4 and 10 of the Regulation, the EC argues that two of the criteria are not met and does not address the third criterion.¹⁵⁰

¹⁴⁸ Exhibit COMP-1.h.

¹⁴⁹ First Written Submission of Australia, paragraphs 209-224, and First Written Submission of the EC, paragraph 442.

¹⁵⁰ First Written Submission of the EC, paragraphs 443-468.

- (i) *Article 12.2 – and Articles 4 and 10 read together – of Regulation No. 2081/92 apply to an identifiable product or group of products*

191. The EC argues that Article 12.2 of Regulation No. 2081/92 applies only to cases of homonymous protected *names* from the EC and another WTO Member and that the Regulation does not allow identification of *products* affected by the requirement in Article 12.2.¹⁵¹ Australia does not contest that Article 12.2 of Regulation No. 2081/92 applies only to a specific class of protected names. These names, however, do not exist in isolation, but with regard to specific agricultural products or foodstuffs for which the homonymous names have been registered. Therefore, the EC's argument that Article 12.2 applies only to names, and not to the underlying product that those names identify, is not sustainable.

192. The EC argues that "[t]he Regulation does not allow to identify the products [*sic*] which might be affected by this requirement. Accordingly, Article 12.2 does not apply to identifiable products".¹⁵² In *EC – Asbestos*, the Appellate Body said: "... nothing in the text of [*the TBT Agreement*] suggests that those products need be named or otherwise *expressly* identified in a 'technical regulation'".¹⁵³ (*emphasis in original*) The Appellate Body affirmed that finding in *EC – Sardines* and added: "... a product does not necessarily have to be mentioned *explicitly* in a document for that product to be an *identifiable* product. *Identifiable* does not mean expressly identified".¹⁵⁴ (*emphases in original*) Article 12.2 of Regulation No. 2081/92 does not expressly identify any product. Nonetheless, it does apply to identifiable products: any imported product bearing – or eligible to bear – an EC-defined GI that is identical to an EC-defined GI already being protected within the EC under Regulation No. 2081/92. This is the precise distinction made by the Appellate Body.

193. Australia notes that the EC did not address the question of whether Articles 4 and 10 of Regulation No. 2081/92 read together apply to an identifiable product or group of products.

194. The EC has not rebutted Australia's *prima facie* case that Article 12.2 – and Articles 4 and 10 read together – of Regulation No. 2081/92 apply to an identifiable product or group of products within the meaning of the definition of a technical regulation in TBT Annex 1.1.

- (ii) *Article 12.2 – and Articles 4 and 10 read together – of Regulation No. 2081/92 mandate compliance with product characteristics or their related processes and production methods*

195. The EC argues¹⁵⁵ that Article 12.2 – and Articles 4 and 10 read together – of Regulation No. 2081/92 are not mandatory. The EC argues – and Australia does not dispute – that registration of an EC-defined GI under the Regulation is not a precondition for the marketing of a product in the EC. Similarly, the EC argues – and Australia does not dispute – that compliance with Articles 12.2 – and Articles 4 and 10 read together – is not mandatory for placing a product on the market in the EC.

196. However, registration under Regulation No. 2081/92 is mandatory for trading an imported product eligible to bear an EC-defined GI under the same competitive conditions as those afforded a product of EC origin for which an EC-defined GI has been registered. As the EC has said, "Article 12.2 is a condition for the registration of a geographical indication",¹⁵⁶ and "[t]he existence of

¹⁵¹ First Written Submission of the EC, paragraphs 445-447.

¹⁵² First Written Submission of the EC, paragraph 447.

¹⁵³ *EC – Asbestos*, paragraph 70.

¹⁵⁴ *EC – Sardines*, paragraph 180.

¹⁵⁵ First Written Submission of the EC, paragraphs 453-457 and 467-468.

¹⁵⁶ First Written Submission of the EC, paragraph 456.

inspection structures constitutes a condition for registration".¹⁵⁷ Without registration, an imported product does not benefit from protection against unauthorised use of an EC-defined GI, nor does it benefit from the reputation of superior quality engendered by registration of an EC-defined GI under the Regulation.

197. Accordingly, the EC has not rebutted Australia's *prima facie* case that Article 12.2 – and Articles 4 and 10 read together – of Regulation No. 2081/92 mandate compliance with product characteristics or their related processes and production methods for those products bearing – or eligible to bear – an EC-defined GI.

(iii) *Article 12.2 – and Articles 4 and 10 read together – of Regulation No. 2081/92 lay down product characteristics or their related processes and production methods*

198. The EC states that Article 12.2 of Regulation No. 2081/92 "does not contain a specific labelling requirement for any specific product" but rather that it "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".¹⁵⁸ Australia notes that the two statements are not mutually exclusive: indeed, one of the conditions is a labelling requirement.

199. The EC asserts that Article 12.2 of Regulation No. 2081/92 does not itself impose a labelling requirement, but that "the requirement to indicate the country of origin will be among the labelling details which must be indicated in the product specification" required in accordance with Article 4.2(h) of the Regulation.¹⁵⁹ This argument is not sustainable. Article 12.2 of the Regulation, and in particular its second sentence – "[u]se of such names shall be authorised only if the country of origin of the product is clearly and visibly indicated on the label" – clearly imposes a labelling requirement on an imported product bearing – or eligible to bear – an EC-defined GI which is identical to an EC-defined GI which has already been registered under the Regulation. This requirement is unaffected by the existence elsewhere in the Regulation of other labelling requirements.

200. The argument is unfounded on other grounds. A label within the meaning of Article 12.2 of Regulation No. 2081/92 is something that attaches to a product or to the packaging of a product to describe the content or nature of the product. The EC's argument that "the labelling requirement does not relate to a product"¹⁶⁰ is unsustainable: it renders the concept of a label meaningless.

201. The EC argues that Articles 4 and 10 read together do not lay down product characteristics because "the purpose of Article 4(g) [*sic*] in conjunction with Article 10 is not to lay down product characteristics, but to ensure conformity with the product specification".¹⁶¹ However, the EC ignores the actual arguments made by Australia: that is, that a technical regulation within the meaning of the *TBT Agreement* includes a document which may generally be considered to set out a regular sequence of actions (that is, a process) directed at a specified purpose or the way in which something is produced and which is connected to one or more product characteristics.¹⁶²

202. A measure may lay down related processes within the meaning of a technical regulation, even if it has a different or additional purpose. The purpose of itself is not conclusive of the proper characterisation of a measure. In *Japan – Alcoholic Beverages II* and in *US – CDSOA*, the Appellate

¹⁵⁷ EC response to Question 61 from the Panel following the first substantive meeting, paragraph 136.

¹⁵⁸ First Written Submission of the EC, paragraph 449.

¹⁵⁹ First Written Submission of the EC, paragraph 450.

¹⁶⁰ First Written Submission of the EC, paragraph 451.

¹⁶¹ First Written Submission of the EC, paragraph 461.

¹⁶² First Written Submission of Australia, paragraph 218, text in brackets added.

Body considered issues concerning legislative intent. In each case, the Appellate Body considered that it was not necessary for the Panel to inquire into the intent of the respective legislatures: the key determinant was whether the measures as applied were consistent with the relevant WTO obligations.¹⁶³

203. The EC's argument that trademark laws, such as those implementing certification marks systems, do not appear so far to have been considered as falling under the *TBT Agreement*¹⁶⁴ is neither conclusive of, nor relevant to, the issue at hand. Assessing whether a measure is a technical regulation within the meaning of the *TBT Agreement* is a threshold issue for the application of that Agreement: it is not determinative of whether a WTO Member has violated its obligations under that Agreement. Moreover, the Appellate Body has several times noted the generally cumulative nature of a WTO Member's obligations, consistent with the integrated, binding nature of the *WTO Agreement* pursuant to Article II.2 of that Agreement.¹⁶⁵

204. Accordingly, the EC has not rebutted Australia's *prima facie* case that Article 12.2 – and Articles 4 and 10 read together – of Regulation No. 2081/92 lay down product characteristics or their related processes and production methods.

(iv) *Conclusion*

205. The EC has not rebutted Australia's *prima facie* case that, in respect of imported products bearing – or eligible to bear – an EC-defined GI, the EC measure in relevant part applies to an identifiable product or group of products, lays down product characteristics or their related processes, and mandates compliance. The EC measure is therefore, in relevant part, a technical regulation within the meaning of TBT Annex 1.1.

B. IN RESPECT OF PRODUCTS BEARING – OR ELIGIBLE TO BEAR – AN EC-DEFINED GI, THE EC MEASURE ACCORDS TO THE PRODUCTS OF OTHER WTO MEMBERS TREATMENT LESS FAVOURABLE THAN THAT IT ACCORDS TO LIKE PRODUCTS OF NATIONAL ORIGIN, CONTRARY TO ARTICLE 2.1 OF THE TBT AGREEMENT

206. Australia claims that, to the extent that Article 12.2 of Regulation No. 2081/92 is a mandatory labelling provision that applies to imported products bearing – or eligible to bear – an EC-defined GI, it is a technical regulation that accords less favourable treatment to imported products than to like domestic products, contrary to TBT Article 2.1.

207. Once again, the EC has overlooked or confused the arguments put forward by Australia. In fact, Australia did not argue 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",¹⁶⁶ notwithstanding that the EC itself has sought to transpose its arguments under GATT Article III:4 in seeking to rebut Australia's claim of a national treatment violation under the *TBT Agreement*.¹⁶⁷ Rather, Australia suggested – consistent with previous findings of the Appellate Body – that "previous consideration of GATT Article III:4 can properly be looked to for clarification of the national treatment obligation in TBT Article 2.1".¹⁶⁸

¹⁶³ *Japan – Alcoholic Beverages II*, pages 27-28, and *US – CDSOA*, paragraph 259.

¹⁶⁴ First Written Submission of the EC, paragraph 465.

¹⁶⁵ See, for example, *Korea – Dairy Safeguard*, paragraph 75.

¹⁶⁶ First Written Submission of the EC, paragraph 473.

¹⁶⁷ First Written Submission of the EC, paragraph 470.

¹⁶⁸ First Written Submission of Australia, paragraph 226.

208. In any case, in the context of the present dispute, it is sufficient to consider the issue of like product within the context of TBT Article 2.1 in terms of basic agricultural products such as apples or pears bearing – or eligible to bear – an EC-defined GI. Australia submits that, notwithstanding the EC's assertion concerning the "important structural differences" between the *TBT Agreement* and *GATT 1994*,¹⁶⁹ an apple from Australia bearing – or eligible to bear – an EC-defined GI is like product to an apple from within the EC bearing – or eligible to bear – an EC-defined GI.

209. The EC argues that Article 12.2 of Regulation No. 2081/92 "does not treat foreign and EC geographical indications differently".¹⁷⁰ As set out in Part IV.D above, the EC's explanations of the meaning of Article 12.2 of the Regulation are not sustainable. In circumstances where an application for the registration of an EC-defined GI relates to an area in another WTO Member and is identical to an existing registered EC-defined GI relating to an area within the EC, Article 12.2 mandates that the product bearing the later, or second, registered EC-defined GI also carry a country of origin label. Conversely, Article 6.6 of the Regulation does not mandate this requirement in circumstances where the later, or second, registered EC-defined GI is also from within the EC.

210. The EC argues that marks of origin are not subject to the national treatment obligation of TBT Article 2.1 because they are governed by GATT Article IX, which imposes an MFN obligation only.¹⁷¹ The EC argues that if Article 12.2 of Regulation No. 2081/92 is a technical regulation, "this should not have the effect of rendering the specific provision of Article IX:1 GATT useless".¹⁷²

211. Australia recognises that *GATT 1994* and the *TBT Agreement* have different purposes and orientations. Indeed, Australia notes that the Appellate Body said in *EC – Asbestos*: "... although the *TBT Agreement* is intended to 'further the objectives of GATT 1994', it does so through a specialised legal regime that applies solely to a limited class of measures. For these measures, the *TBT Agreement* imposes obligations on Members that seem to be *different* from, and *additional* to, the obligations imposed on Members under the GATT 1994"¹⁷³ (*emphases in original*).

212. Having regard to those findings of the Appellate Body, even if the effect of GATT Article IX is to impose only an MFN obligation with regard to marks of origin and therefore to exclude the application of GATT Article III, Australia submits this does not mean that *TBT Agreement* obligations (such as that contained in TBT Article 2.1) do not apply to measures concerning marks of origin if those measures are "technical regulations".

213. Finally, Australia notes that the *General interpretive note to Annex 1A* of the *WTO Agreement* provides that, in the event of conflict between a provision of *GATT 1994* and a provision of another Annex 1A Agreement, the latter will prevail to the extent of the conflict. The EC suggests that, if Article 12.2 of Regulation No. 2081/92 is considered to be a technical regulation and thus subject to a national treatment obligation under the *TBT Agreement*, GATT Article IX:1 would be rendered "useless". Australia submits that any such conflict is governed by the *General interpretive note*: to the extent that GATT Article IX:1 conflicts with a national treatment obligation in another Annex 1A agreement, the obligation in the latter agreement will prevail. The existence of GATT Article IX:1 cannot be used to deny the applicability of TBT Article 2.1 to a technical regulation dealing with marks of origin.

214. Accordingly, the EC has not rebutted the *prima facie* case made by Australia.

¹⁶⁹ First Written Submission of the EC, paragraph 474.

¹⁷⁰ First Written Submission of the EC, paragraph 476.

¹⁷¹ First Written Submission of the EC, paragraph 481.

¹⁷² First Written Submission of the EC, paragraph 481.

¹⁷³ *EC – Asbestos*, paragraph 80.

C. IN RESPECT OF PRODUCTS BEARING – OR ELIGIBLE TO BEAR – AN EC-DEFINED GI, THE EC MEASURE IS MORE TRADE RESTRICTIVE THAN NECESSARY TO FULFIL A LEGITIMATE OBJECTIVE, TAKING ACCOUNT OF THE RISKS NON-FULFILMENT WOULD CREATE, CONTRARY TO ARTICLE 2.2 OF THE TBT AGREEMENT

215. The EC makes a number of arguments in response to Australia's claim under TBT Article 2.2.

216. The EC says that the existence of inspection structures is only required with respect to the specific product for which protection is sought.¹⁷⁴ Australia notes that it has not contested this issue.

217. The EC says that Regulation No. 2081/92 does not determine the specific design of the inspection structures.¹⁷⁵ Yet Article 10.3 of the Regulation expressly provides that inspection structures "must ... have permanently at their disposal the qualified staff and resources necessary to carry out inspection of agricultural products and foodstuffs bearing a protected name". In Australia's view, a requirement that such an inspection structure "must" have permanently at its disposal the "necessary" qualified staff mandates a specific design feature: moreover, it mandates a specific design feature that does not admit of the possibility that use of temporary staff – for example, during harvest season – may be all that is necessary to provide the required level of assurance. In addition and in any case, Regulation No. 2081/92 – whether through Article 10 or another provision – does not admit of the possibility that no inspection structure may be required at all in some circumstances.

218. Further, Article 12a.2(b) of Regulation No. 2081/92 requires that a WTO Member submit to the Commission, among other documents, a "declaration that the structures provided for in Article 10 are established on its territory". In Australia's view, this is a clear statement that a specific type of structure must be established, and that alternative mechanisms which may perform the same function but are not "inspection structures", e.g. systems of laws, are excluded. Thus, the express terms of the Regulation preclude any leeway insofar as the type of inspection structure required of another WTO Member is concerned.

219. The EC asserts that Australia's "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".¹⁷⁶ Contrary to the EC's assertion, Australia has not contested – and does not contest – that some type of compliance verification mechanism may be necessary in most cases to ensure that a product bearing an EC-defined GI complies with its product specification.¹⁷⁷ Australia does argue, however, that the EC model "one size fits all" inspection structure model may not be the only mechanism by which the EC's required degree of assurance can be provided in all circumstances. Further, Australia argues that the EC measure does not allow for the possibility of any inspection structure being unnecessary. In this context, Australia notes the EC's puzzling argument that "a monopolistic situation might require inspections even more strongly".¹⁷⁸ Even if so, the EC has not explained why other consumer protection mechanisms could not provide the necessary degree of assurance. Nor has the EC explained how an EC model inspection structure would be necessary in all circumstances to prevent EC consumers being misled or deceived, for example, in the event that the misleading or deceptive conduct at issue concerns product from a third country.

¹⁷⁴ First Written Submission of the EC, paragraphs 486-487.

¹⁷⁵ First Written Submission of the EC, paragraphs 488-491.

¹⁷⁶ First Written Submission of the EC, paragraph 492.

¹⁷⁷ Indeed, Australian law provides for a verification mechanism to be a part of the requirements for registration of a certification trademark.

¹⁷⁸ First Written Submission of the EC, paragraph 497.

220. The EC asserts that the inspection structure requirement is "necessary to achieve the legitimate objectives of Regulation 2081/92".¹⁷⁹ However, having regard to normal interpretive principles, for a measure to be "necessary" under TBT Article 2.2, no other, less restrictive, alternatives can exist. The EC has not explained why the alternative systems suggested by Australia – alone or in combination – could not in any circumstances provide the same degree of assurance as the EC's system for compliance verification and/or enforcement, or for the prevention of deceptive practices. Nor has the EC explained the basis for the effective underlying assumption that that all other such systems in place in other WTO Members are deficient in all circumstances compared to the EC's system.

221. The EC has argued that the discretion given to the EC under TRIPS Article 1.1 to implement in its law more extensive protection than is required by the *TRIPS Agreement*, provided that such protection does not contravene the provisions of that Agreement, "cannot be limited on the basis of" TBT Article 2.2.¹⁸⁰ Yet the EC offers no argument in support of its view. The EC does not offer any explanation of how its view is consistent with the express provisions of the *TRIPS Agreement* or with the object and purpose of that Agreement, including as expressed in the first preambular clause that "measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade". Nor does the EC offer any explanation of how its view is consistent with the provisions of Article II.2 of the *WTO Agreement* in relation to the integrated, binding nature of the covered agreements.¹⁸¹

222. Australia notes that the EC has not contested Australia's contention that Articles 4, 10 and 12.1 of Regulation No. 2081/92 read together are trade restrictive because their effect is to limit the opportunities for products from other WTO Members otherwise eligible to bear an EC-defined GI to those cases where the imported product originates in a WTO Member that has an Article 10-type inspection structure in place.¹⁸² Thus, Australia understands that the EC does not dispute this issue.

223. Further, the EC has not rebutted Australia's contention that Articles 4, 10 and 12.1 of Regulation No. 2081/92 are more trade restrictive than necessary because they establish an irrebuttable presumption that no other system that may exist in another WTO Member could in any circumstance provide the same degree of assurance as the EC-mandated inspection structure.¹⁸³ Nor has the EC rebutted Australia's contention that Articles 4, 10 and 12.1 of the Regulation do not allow for the possibility of any inspection structure being unnecessary.¹⁸⁴

224. As a consequence, the EC has not rebutted the *prima facie* case made by Australia that – to the extent that Articles 4, 10, and 12.1 of Regulation No. 2081/92 mandate that another WTO Member have in place in all circumstances an inspection structure as set out in Article 10 of the Regulation – the EC measure is more trade restrictive than necessary to fulfil a legitimate objective, taking account of the risks non-fulfilment would create.

D. CONCLUSION

225. The fact that a measure is intended to implement an intellectual property right does not of itself remove that measure – or relevant aspects of that measure – from the scope of the *TBT Agreement*. The EC has not rebutted the *prima facie* case made by Australia that the EC measure is,

¹⁷⁹ First Written Submission of the EC, paragraph 500.

¹⁸⁰ First Written Submission of the EC, paragraph 499.

¹⁸¹ See Australia's response to Question 55 from the Panel following the first substantive meeting with the parties.

¹⁸² First Written Submission of Australia, paragraph 251.

¹⁸³ First Written Submission of Australia, paragraphs 252-254.

¹⁸⁴ First Written Submission of Australia, paragraph 255.

in part, a technical regulation. Similarly, the EC has failed to rebut Australia's *prima facie* case that the EC measure – to the extent that it is a technical regulation – is inconsistent with the EC's obligations under TBT Articles 2.1 and 2.2.

XI. AS A CONSEQUENCE, THE EC HAS NOT ENSURED THE CONFORMITY OF ITS LAWS, REGULATIONS AND ADMINISTRATIVE PROCEDURES WITH ITS WTO OBLIGATIONS

226. The EC has not rebutted Australia's *prima facie* case that the EC measure at issue in this dispute is inconsistent with:

- Articles 2.1 ("incorporating" Articles 2, 10*bis*(1) and 10*ter*(1) of the Paris Convention (1967)), 3.1, 16.1, 22.2 24.5, 41.1, 41.2, 41.3 and/or 42 of the *TRIPS Agreement*;
- Article III:4 of the *GATT 1994*; and/or
- Articles 2.1 and/or 2.2 of the *TBT Agreement*.

227. As a consequence, the EC has not given effect to the provisions of the *TRIPS Agreement*, contrary to Articles 1.1 and 1.3 of that Agreement.

228. Further, as a consequence of its failure to comply with its obligations pursuant to the *TRIPS Agreement*, the *GATT 1994* and the *TBT Agreement*, the EC has not ensured the conformity of its laws, regulations and administrative procedures with its obligations as provided in the annexed Agreements, contrary to Article XVI.4 of the *WTO Agreement*.

229. Australia respectfully reiterates its request that the Panel make the findings referred to above, and recommend that the EC bring the EC measure into conformity with its WTO obligations. In addition, Australia reiterates its request that the Panel find that, by its inconsistency with the EC's WTO obligations, the EC measure nullifies or impairs the benefits accruing to Australia under the *TRIPS Agreement*, the *GATT 1994*, the *TBT Agreement* and the *WTO Agreement*.

ANNEX A-6

OPENING STATEMENT OF AUSTRALIA SECOND SUBSTANTIVE MEETING

(11 August 2004)

1. The EC has not rebutted the *prima facie* case made by Australia with respect to the inconsistencies of the EC's measure with the EC's WTO obligations. Instead, the EC has made a number of arguments that are unsubstantiated, incorrect, or simply irrelevant with regard to the actual claims and arguments put forward by Australia.

2. Our statement today will therefore recap some of the key elements of our claims and arguments, particularly to highlight areas where the EC has implicitly or explicitly accepted the validity of our arguments. We note that this statement forms a part of Australia's argumentation in this dispute – it is not intended as a summary of our entire case. Our case in total would include of course all the material we have submitted to the Panel directly, or via endorsement of arguments made by the US in this dispute.

THE MEANING OF REGULATION NO. 2081/92

3. The EC argues that "... due account must ... be taken of the meaning which is given to the measure in question by the authorities of the Member concerned".¹ In support of its argument, the EC says that the Panel in *US – Section 301* found that "considerable deference must be given to the explanations given by the Member concerned as to the meaning of its own measure".² In fact, the EC's characterisation of the Panel's findings in that dispute is not accurate. What the Panel actually said was that "... any Member can reasonably expect that considerable deference be given to its views on the meaning of its own law".³ There is a considerable difference in the meaning of deference that must be given and deference that can be "reasonably expected".

4. In the *US – Section 301* dispute, the Panel found as it did on the basis of an interpretation of those provisions that was legally authoritative in domestic law. In the present case, however, the EC has no such legally authoritative interpretation of the meaning of the provisions at issue to offer to show that Australia's interpretation of the meaning of Regulation 2081/92 in accordance with the EC's own rules of interpretation is flawed.

5. Australia has demonstrated the proper meaning of the provisions of Regulation 2081/92 in the context of EC domestic law. Australia has demonstrated the meaning based on a consistent pattern of statements by authorised EC representatives over many years, including in the WTO TRIPS Council and in WIPO; an official public document issued by the European Commission on the express intent of the proposed amendments to Regulation 2081/92 eventually adopted in Regulation 692/2003; clear statements about the meaning of Regulation 2081/92 and of the intent of the proposed amendments on the part of the Committee of the European Parliament with primary responsibility for the subject matter; the express provisions of the preamble recitals to Regulation 692/2003 itself; the ECJ's rules of interpretation, under which it is necessary to consider wording, context and aims in interpreting provisions of Community law; and relevant ECJ jurisprudence.

¹ Second Written Submission of the EC, paragraph 8.

² Second Written Submission of the EC, paragraph 8.

³ *United States – Sections 301-310 of the Trade Act of 1974*, Report of the Panel, WT/DS152/R, paragraph 7.18.

6. The EC has not offered any explanation of the meaning of the provisions of Regulation 2081/92 in its domestic law that reconciles its latest view with these facts. On the other hand, the EC discusses in detail ECJ jurisprudence which addresses only some of the issues in this dispute – and which in any case:

- is consistent with the wider ECJ jurisprudence identified by Australia; and
- does not invalidate the meaning of the provisions of the Regulation at issue as put forward by Australia.

7. The EC asks that the Panel – and the complaining parties – accord deference to its statements before the Panel on the meaning of Regulation 2081/92. At the same time, however, the EC admits that its statements have no legal significance in Community law.

8. The EC asks that the Panel – and the complaining parties – ignore all other statements by authorised EC representatives as to the proper meaning of Regulation 2081/92. In doing so, however, the EC offers no credible explanation as to:

- why the explanation it offers before the Panel as to the meaning of the Regulation is more authoritative than the explanations offered by other EC representatives or in an official European Commission press release;
- what would prevent the EC from reverting to those previous explanations of the meaning of the Regulation at some future time; or
- how other WTO Members can be assured that any future rejection of an application for the registration of an EC-defined GI would not be based on the application of Articles 12.1 and 12.3 of the Regulation to them.

9. The EC's arguments in reply are summed up in the statement that "... the Panel should not assume that the institutions of the EC, and in particular the European Court of Justice, will ignore WTO obligations in the interpretation and application of Regulation 2081/92".⁴ No one is suggesting the ECJ will ignore the EC's WTO obligations. However, the Regulation itself and the ECJ's approach to interpretation as stated in its jurisprudence provides incontrovertible evidence that the EC's latest view of the Regulation is not sustainable.

TRADEMARKS

TRIPS ARTICLE 16.1

10. Australia has claimed that – in respect of the registration of an EC-defined GI – the EC measure diminishes the legal protection for trademarks, contrary to TRIPS Article 16.1. The EC measure does not grant to the owner of a registered trademark the exclusive right to prevent confusingly similar or identical use of a sign in the course of trade for similar or identical goods. Nor does the EC measure provide for a presumption of a likelihood of confusion in the case of use of an identical sign for identical goods. Moreover, to the extent that the Article 15 decision-making process constitutes the initial and only means through which the owner of a trademark can seek to exercise – in respect of the registration of an EC-defined GI – the trademark rights required to be granted by the TRIPS Agreement, the EC measure:

- does not ensure that an objection from a trademark owner is admissible in such circumstances; and

⁴ Second Written Submission of the EC, paragraph 26.

- does not ensure that such an objection from a trademark owner will be considered in the Article 15 decision-making process.

11. In response, the EC has asserted:

- that Article 14.3 of Regulation 2081/92 prevents the registration of EC-defined GIs that would result in a likelihood of confusion with an earlier trademark; or
- that TRIPS Articles 17, 24.3 or 24.5 somehow justify the co-existence of TRIPS-defined GIs and earlier trademarks.

12. As Australia has addressed most of the EC's supporting arguments in its Written Rebuttal Submission, I will focus here on the arguments made by the EC in its Written Rebuttal Submission.

Article 14.3 of Regulation 2081/92

13. Regulation 2081/92 provides that an EC-defined GI 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 of that EC-defined GI "is liable to mislead the consumer as to the true identity of the product".

14. In Australia's view, the EC's attempts to suggest that Article 14.3 of the Regulation does what the EC says it does is an implicit admission by the EC that nowhere else does the Regulation even attempt to provide trademark right holders with the rights required to have been granted to them under TRIPS Article 16.1.

15. However, "mislead" is used in Article 14.3 in the sense of causing a consumer to mistake the true identity of the product, rather than as a synonym of "confuse" in the sense of causing a consumer to be puzzled about the true identity of the product. It is therefore simply not sustainable for the EC to argue that "mislead" and "confuse" mean the same thing.

16. The EC argues that Australia has misinterpreted Article 14.3 of Regulation 2081/92 and that Australia's reading of the provision "is unsupported by the ordinary meaning of its terms". The EC also argues that Australia's interpretation "is neither workable nor reasonable in practice and cannot be reconciled with the obligations imposed upon the EC authorities by other provisions of Regulation 2081/92".⁵

17. However, Australia's interpretation of Article 14.3 of the Regulation is fully consistent with the relevant rules of interpretation of EC law. It considers the wording, context and aims of the provision, in accordance with the ECJ's well-established case law. Although the EC claims that the ECJ would not ignore the EC's obligations, the ECJ itself has implemented a test that requires express reference to an international agreement or its provisions. But there is nowhere in the Regulation any reference to a precise provision of the TRIPS Agreement to indicate to the ECJ an intent to implement a particular obligation assumed in the context of the WTO or another international agreement. Further, Australia's interpretation of "mislead" is fully consistent with the interpretation of that word by the EC in the case of the registration of "Bayerisches Bier".⁶

18. Even if the EC's interpretation was correct, the immediate consequence is that it would render the reference in Article 14.2 to the grounds for revocation under the Community Trademark Directive and Regulation totally meaningless. In both cases, the relevant grounds for revocation are that, in consequence of its use, the trademark "is liable to mislead the public", particularly as to the ...

⁵ Second Written Submission of the EC, paragraph 277

⁶ Regulation No. 1347/2001, Recital (3), Exhibit EC-9.

geographical origin ...".⁷ Yet elsewhere, both the Directive and the Regulation expressly grant to owner of a trademark the exclusive right to prevent use of a similar or identical sign for similar or identical goods where "there exists a likelihood of confusion on the part of the public".⁸

19. A likelihood of confusion on the part of the public as elaborated by the ECJ in its case law⁹ is a very different standard from conduct which positively causes a consumer to mistake the source of a product. Thus, the Community Trademark Directive and Regulation differentiate the meanings of "confuse" and "mislead". As a consequence, the reference to the revocation provisions of those instruments in Article 14.2 of Regulation 2081/92 imports that differentiation into that Regulation.

20. The EC also asserts that Australia's interpretation of the meaning of Article 14.3 "would lead to a result that is incompatible with" Articles 7.4 and 7.5(b) of Regulation 2081/92.¹⁰ Again, however, the interpretation of Article 7.4 – and consequently Article 7.5(b) – being put forward by the EC is premised on a meaning of the words "jeopardise the existence" that is simply not consistent with the meaning and context of those provisions.

21. The plain meaning of "jeopardize the existence ... of a mark" in Article 7.4 of Regulation 2081/92 is to threaten the very being of that mark. Threatening the very being of a trademark is a very different standard for the admissibility of a statement of objection than the standard established by a likelihood of confusion.

22. As a final point, I choose not to take offence at being called crass and ignorant when it comes to the complexities of EC law as done by the EC this morning. I do question the EC's judgment in making such an allegation with respect to my fellow Australians – particularly when the EC has, including in the consultations, been unhelpful on the relevant issues. I will therefore briefly ask my colleague to say a few words about the various translations.

23. *English translation:* The EC asserts that Australia hasn't considered other linguistic versions of Regulation 2081/92, and that these shed light on the intention of the EC.¹¹ In fact, Australia had indeed noted the language used in the French and Spanish versions. The EC seems to have overlooked that the complaining parties submitted the French version of the Regulation as Common Exhibit 1.c. Moreover, Australia fails to understand how its argument is undermined by the Spanish version. Saying that the very being of a trademark must be adversely affected seems to us to be not much different to saying that the very being of a trademark must be threatened.

TRIPS Article 24.5

24. TRIPS Article 24.5 does not envisage the co-existence of TRIPS-defined GIs and earlier trademarks as argued by the EC. In accordance with TRIPS Article 24.5, where a trademark has been registered in good faith, a WTO Member's measures adopted to implement Section 3, Part II, of the TRIPS Agreement concerning GIs may not prejudice the validity of the registration of an existing trademark on the basis that the trademark is identical with or similar to a GI. In other words, a WTO Member's measures adopted to implement the TRIPS Agreement provisions concerning GIs may not adversely affect the legitimacy of a trademark's registration. Such measures may not provide for the

⁷ Directive 89/104/EEC, Article 12.2(b), Exhibit COMP-6, and Regulation No. 40/94, Article 50.1(c), Exhibit COMP-7.

⁸ Directive 89/104/EEC, Article 5.1(b), Exhibit COMP-6, and Regulation No. 40/94, Article 9.1(b), Exhibit COMP-7.

⁹ See, for example, Opinion of Advocate General Jacobs, *Marca Mode v Adidas AB and Adidas Benelux BV*, paragraph 40, Exhibit US-12.

¹⁰ Second Written Submission of the EC, paragraph 282.

¹¹ Second Oral Statement of the EC, paragraph 230.

validity of a trademark's registration to be prejudiced because the trademark contains or consists of a GI.

25. Because a WTO Member is prohibited from prejudicing the validity of the registration of a trademark in implementing the GIs provisions of the TRIPS Agreement, the necessary and logical consequence is that the rights required to be granted to the owner of a registered trademark under TRIPS Article 16.1 continue to attach to that trademark. Once a valid trademark is registered, exceptions to the rights required to be granted to the owner of that trademark under TRIPS Article 16.1 must accord with TRIPS Article 17, to which I will return shortly.

26. To the extent that registration and/or use of an EC-defined GI would constitute confusingly similar or identical use of a sign for a similar or identical good, the owner of a registered trademark is required to be granted the exclusive right to prevent the registration and/or use of that EC-defined GI. Thus, TRIPS Article 24.5 does not envisage the co-existence of TRIPS-defined GIs and earlier registered trademarks.

TRIPS Article 24.3

27. TRIPS Article 24.3 does not require the EC to maintain the co-existence of EC-defined GIs and earlier trademarks as argued by the EC. Australia has responded to this argument in detail in its Rebuttal Submission.¹² In addition – in the circumstances of the measure at issue in this dispute – to the extent that TRIPS Article 24.3 might protect the geographical indications that existed within the EC on 31 December 1994, it would do so only in respect of the territories of those EC Member States which did protect the EC-defined GIs as at that date.

TRIPS Article 17

28. I noted earlier that – once a valid trademark is registered – exceptions to the rights required to be granted to the owner of that trademark under TRIPS Article 16.1 must accord with TRIPS Article 17.

29. The EC has already put forward a number of arguments in support of its contention that the requirement of Regulation 2081/92 for the co-existence of an EC-defined GI and a pre-existing trademark right is justified by TRIPS Article 17. Australia responded to these arguments in its Written Rebuttal Submission.¹³

30. The EC now argues as well that Article 14.3 of Regulation 2081/92 "would nonetheless prevent the registration of confusing geographical indications in those instances where the likelihood of confusion is greater".¹⁴ Even leaving aside the issue of whether Article 14.3 applies in a situation of "confusing" – as distinct from "misleading" – use to which I referred earlier, the right required to be granted to the owner of a registered trademark under TRIPS Article 16.1 is not subject to a test of the degree of likelihood in relation to the likelihood of confusion. Rather, it is a right that applies in all circumstances of a likelihood of confusion.

31. The EC argues that the phrase "the fair use of descriptive terms" in TRIPS Article 17 includes a term used to indicate the place of origin of a product, which in turn includes any term used as an "indication of source" in the sense of the Paris Convention, which in turn includes both TRIPS and EC-defined GIs.¹⁵

¹² Australia's Written Rebuttal Submission, paragraphs 111-117.

¹³ Australia's Written Rebuttal Submission, paragraphs 118-127.

¹⁴ Second Written Submission of the EC, paragraph 337.

¹⁵ Second Written Submission of the EC, paragraph 338.

32. However, the EC argument ignores the principle of territoriality that underpins the global regime for the protection of IP rights. It assumes that all indications of source, including TRIPS and EC-defined GIs, are immediately and universally recognised as such.

33. The EC argument also ignores that while GIs may be a "sub-set" of indications of source in the sense of the Paris Convention, they are – in accordance with TRIPS Article 22.1 – a very particular sub-set. They don't simply identify or describe a good as originating in a geographic place. If that were all they did, IP protection would not be needed – nor would it be appropriate. This surely is precisely the distinction between a geographic term and a TRIPS-defined GI. TRIPS Article 22.1 says that a geographic term qualifies to be called a "geographical indication" in a specific situation. That situation is where the term signifies that a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin. This is not descriptive of the geographic origin, nor is it descriptive of the quality, reputation or other characteristic of the good that is essentially attributable to its geographical origin. It is much more than that: it signifies the causative link between geographical origin and some characteristic of the product.

34. Thus, TRIPS-defined GIs are not "descriptive terms" in the sense of TRIPS Article 17 that simply indicate the place of origin of a product. The EC's suggested interpretation would render meaningless the express requirement of TRIPS Article 22.1 that a TRIPS-defined GI indicate that a given quality, reputation or other characteristic of the good be essentially attributable to its geographical origin. Moreover, such an interpretation would be contrary to the principle of effectiveness in the interpretation of treaties that the Appellate Body has several times expressly recognised.¹⁶

35. Similarly, the EC's professed difficulty in understanding the provisions of the Australian Trade Marks Act¹⁷ ignores the principle of territoriality. Bearing in mind that Australia's recognises IP rights as private rights, it is up to GI right holders from the EC – or anywhere else – to act to protect those rights in the territory of Australia. This can be done through the multiple opportunities provided by Australian law to oppose the registration of a trademark, or by seeking to invalidate or revoke such a registration in accordance with Australian law. If GI right holders do not make use of those opportunities, then a trademark right holder can legitimately seek to exercise the rights granted by Australian law to prevent confusing use of a TRIPS-defined GI.

36. Finally, the EC's view that the phrase "fair use of descriptive terms" in TRIPS Article 17 can encompass confusingly similar or identical use of TRIPS-defined GIs for similar or identical goods would also render meaningless the provisions of TRIPS Article 24.5, contrary to the principle of effectiveness in the interpretation of treaties.

The evidentiary presumption of a likelihood of confusion

37. Australia has addressed the EC's arguments – in respect of the registration of EC-defined GIs – concerning the evidentiary presumption of a likelihood of confusion required to be granted to the owner of a registered trademark in the case of use of an identical sign for identical goods in its Written Rebuttal.¹⁸

¹⁶ See, for example, *Korea – Dairy Safeguard*, Report of the Appellate Body, WT/DS98/AB/R, paragraph 80

¹⁷ Second Written Submission of the EC, footnote 219.

¹⁸ Australia's Written Rebuttal Submission, paragraphs 137-141.

38. As a final point on this issue, Australia notes that the Community Trademark Directive and Regulation both expressly reproduce that evidentiary presumption.¹⁹

Conclusion

39. The EC has not rebutted the *prima facie* case made by Australia that – in respect of the registration of an EC-defined GI – the EC measure diminishes the legal protection for trademarks, contrary to TRIPS Article 16.1. The arguments put by the EC in response to Australia's claims are not sustainable. Either they do not accord with the actual provisions of Regulation 2081/92 having regard to rules of interpretation applicable to domestic EC legislation, or they are not supported by the relevant provisions of the TRIPS Agreement.

TRIPS ARTICLE 24.5

40. Australia has claimed that – in respect of the registration of an EC-defined GI – the EC measure diminishes the legal protection for trademarks, contrary to TRIPS Article 24.5. The EC measure prejudices eligibility of an application for registration of a trademark because Regulation 2081/92 does not afford the right of priority required to be afforded by Paris Article 4.

41. The EC asserts that Paris Article 4 "cannot be applied in order to determine whether an application is 'grandfathered' in accordance with Article 24.5".²⁰ However, the EC's argument ignores that – consistent with TRIPS Article 2.1 – it is obliged to comply with Paris Article 4. Thus, the EC's obligation to apply a right of priority to a trademark application in accordance with Paris Article 4 exists independently of its obligations under TRIPS Article 24.5.

42. It is not a case of applying Paris Article 4 "in order to determine whether an application is 'grandfathered' in accordance with Article 24.5" in the sense put forward by the EC. Rather, it is a case of whether, having given effect to its obligations – including those which arise from Paris Article 4 – an application is "grandfathered" by TRIPS Article 24.5.

43. The EC has not rebutted Australia's *prima facie* case.

PARIS ARTICLES 10BIS(1) AND 10TER(1), AND TRIPS ARTICLE 2.1

44. Australia has claimed that – in respect of the registration of an EC-defined GI – the EC measure diminishes the legal protection for trademarks, contrary to Paris Articles 10bis(1) and 10ter(1) as "incorporated" by TRIPS Article 2.1. The EC measure does not assure effective protection of trademarks against unfair competition, and does not assure appropriate legal remedies to repress effectively such acts of unfair competition.

45. Trademarks are expressly recognised as a category of industrial property protected by the Paris Convention. Moreover, the provisions of Paris Articles 10bis and 10ter apply in respect of all of the industrial property rights protected by the Paris Convention.

46. The obligations established by Paris Articles 10bis(1) and 10ter(1) are straightforward, and WTO Members are required to comply with those obligations by the terms of TRIPS Article 2.1. Australia does not have to explain how the use of a registered EC-defined GI could constitute an act of unfair competition within the meaning of those provisions of the Paris Convention.²¹ That would

¹⁹ Directive 89/104/EEC, Article 5.1(a), Exhibit COMP-6, and Regulation No. 40/94, Article 9.1(a), Exhibit COMP-7.

²⁰ First Written Submission of the EC, paragraph 355.

²¹ First Written Submission of the EC, paragraph 399.

be determined by the body required to be empowered by the EC to consider such matters in the event that the holder of an industrial property right within the EC considered that such issues may be raised by the registration of an EC-defined GI.

47. The EC has not rebutted the *prima facie* case made by Australia.

TRIPS ARTICLES 41 AND 42

48. It is Australia's claim that – in respect of the registration of an EC-defined GI – the EC measure diminishes the legal protection for trademarks, contrary to TRIPS Articles 41 and 42. The EC measure does not make available to trademark right holders civil judicial procedures concerning the enforcement of their IP rights, contrary to TRIPS Article 42. Further, to the extent to which the Article 15 decision-making process constitutes the initial and only means through which a trademark right holder can seek to exercise the trademark rights required to have been granted under TRIPS Article 16.1, the EC measure:

- provides procedures which are not fair and equitable, and which are unnecessarily complicated and entail unwarranted delays, contrary to TRIPS Article 41.2; and
- does not ensure that decisions are based only on evidence in respect of which trademark right holders were offered the opportunity to be heard, contrary to TRIPS Article 41.3

49. As a consequence – in respect of the registration of an EC-defined GI – the EC measure does not ensure the availability under its law of enforcement procedures as specified in Part III of the TRIPS Agreement, contrary to TRIPS Article 41.1.

50. The EC has said: "[t]rademark owners have a right to challenge the validity of the registrations under Regulation 2081/92 also in those cases where no right of objection has been provided as part of the registration procedure".²² In other words, according to the EC:

- firstly, there can be occasions when a right of objection to the proposed registration of an EC-defined GI is not provided to a trademark owner; and
- secondly, in that event, trademark owners have only the right to challenge the validity of the registration of an EC-defined GI in judicial proceedings: they do not have access to judicial proceedings to enforce their rights in a trademark.

51. By its own admission, the EC does not make available to trademark right holders civil judicial procedures concerning the enforcement of any IP right covered by the TRIPS Agreement, contrary to Article 42 of that Agreement.

52. Similarly, by its own admission, the EC does not make decisions on the merits of a case based only on evidence in respect of which parties were offered the opportunity to be heard, contrary to TRIPS Article 41.3.

53. The EC is obliged by Article 41.2 to provide procedures for the enforcement of IP rights which are fair and equitable. Inherent in that requirement is that such procedures must be seen to be fair and equitable to potential users of the procedures. The nature of the Article 15 decision-making process does not allow the possibility of bias in favour of the proposed EC-defined GI to be seen to be excluded. Thus, the EC has not rebutted Australia's *prima facie* case that the EC measure is inconsistent with TRIPS Article 41.2.

²² Second Written Submission of the EC, paragraph 297.

54. Further, the EC is obliged to ensure that procedures for the enforcement of IP rights are not unnecessarily complicated or entail unwarranted delays. The EC has yet to offer any valid justification for requiring a national of another WTO Member to forward an objection to the proposed registration of an EC-defined GI through the government of another WTO Member. The EC has not even attempted to justify the requirement that a statement of objection on the basis of a trademark right within the territory of the EC be lodged through another WTO Member government. The EC has not rebutted Australia's *prima facie* case that the EC measure is inconsistent TRIPS Article 41.2.

55. As a consequence of the EC measure's inconsistency with TRIPS Articles 41.2, 41.3 and 42 and in any case – including because the EC has not given effect to the provisions of TRIPS Articles 43, 44, 45, 46, 48 and 49 – the EC has not ensured the availability of enforcement procedures in respect of the registration of an EC-defined GI against any act of infringement of IP rights covered by the TRIPS Agreement, contrary to TRIPS Article 41.1.

56. The EC has not rebutted Australia's *prima facie* case.

TRANSITIONAL NATIONAL PROTECTION BY EC MEMBER STATES

57. Australia also claims that the EC measure diminishes the legal protection for trademarks – contrary to TRIPS Articles 16.1, 41.1, 41.2, 41.3 and 42, and Paris Articles 10bis(1) and 10ter(1) as incorporated by TRIPS Article 2.1 – in respect of EC Member State decisions to grant transitional national protection pursuant to Article 5.5 of Regulation 2081/92. Regulation 2081/92 does not ensure that such decisions by EC Member States take account of the EC's obligations pursuant to the TRIPS Agreement.

58. The EC has not rebutted Australia's *prima facie* case.

NATIONAL TREATMENT

GATT ARTICLE III:4

59. Australia has claimed that – in respect of the registration of an EC-defined GI – the EC measure accords to the products of another WTO Member treatment less favourable than that it accords to like products of national origin, contrary to GATT Article III:4. The EC measure applies conditions of reciprocity and equivalence to the registration of an EC-defined GI for an imported like product. The EC measure requires that another WTO Member government endorse an application for the registration of an EC-defined GI for an imported like product. Finally, the EC measure as a whole accords less favourable treatment to the registration of an EC-defined GI for an imported like product.

60. In response, the EC has asserted that:

- Articles 12.1 and 12.3 of Regulation 2081/92 do not apply to other WTO Members: thus, the EC does not impose a condition of reciprocity and equivalence on the registration of an EC-defined GI from another WTO Member;
- the requirement that an application for registration of an EC-defined GI from another WTO Member be transmitted by the government of that WTO Member does not amount to less favourable treatment; and
- "Australia has argued that Regulation 2081/92 accords less favourable treatment in that there is an overall bias in the decision-making process".²³

²³ First Written Submission of the EC, paragraph 219.

61. Australia noted with particular interest how the EC avoided answering the Panel's question as to whether the conditions of reciprocity and equivalence would be inconsistent with the EC's national treatment obligations under the TRIPS Agreement and GATT 1994 if applied to another WTO Member. Australia submits that the EC's failure to give a clear answer to this question in the circumstances of the measure at issue in this dispute, and its arguments in this dispute generally, must be viewed as an admission by the EC that applying such conditions would constitute a breach of those national treatment obligations.

62. Australia notes that the EC's rebuttal to this aspect of Australia's claim consists solely of the assertion that Articles 12.1 and 12.3 of Regulation 2081/92 do not apply to other WTO Members. Thus, to the extent that the Panel considers the EC's explanations of the proper interpretation of those provisions is not sustainable on the basis of the rules of interpretation of EC law, the EC has not rebutted Australia's *prima facie* case.

63. The EC refers to Australia's "remarkable" argument about the EC's failure to correct Australia's understanding of the proper interpretation of Article 12.1 of Regulation 2081/92.²⁴ Nonetheless, the EC once again ignores the fundamental point at issue. Why has the EC consistently stated or implied – before the panel stage of this dispute – that Article 12.1 did apply to WTO Members? If Australia's understanding of the proper meaning of the Regulation – and Article 12.1 in particular – was so wrong as a factual matter, why didn't the EC seek to correct Australia's understanding at the earliest opportunity?

64. Equally, the EC has not rebutted Australia's claim concerning the need for an application to be transmitted by another WTO Member government. The EC measure in effect requires other WTO Member governments to act as sub-national units of the EC. A superficial appearance of symmetry of treatment does not – in the circumstances of the EC measure – constitute treatment no less favourable within the meaning of GATT Article III:4.

65. Finally, beyond mischaracterising an aspect of the claim, the EC has simply not responded to Australia's claim concerning the treatment afforded to imported products by the EC measure as a whole.

66. The EC is invoking Article XX(d) only in respect of Australia's claim concerning the requirement that an application for the registration of an EC-defined GI for an imported product be submitted through the government of the WTO Member in which the relevant geographical area is located.

67. In *Korea – Beef*, the Appellate Body indicated that determination of whether a measure is "necessary" within the meaning of Article XX(d) should be considered in the context of whether there is a WTO-consistent alternative measure available which a WTO Member could reasonably be expected to employ, or whether there is a less WTO-inconsistent alternative measure reasonably available.

68. Thus, in relation to the EC's requirement that another WTO Member government verify and submit an application for the registration of an EC-defined GI for an imported product: is there a WTO-consistent alternative measure reasonably available? Yes – the EC could simply leave it to the applicant to provide the required information. In addition – and in any case – the EC could ask for the cooperation of another WTO Member government after an application has been lodged should such cooperation be necessary to enable an application to be assessed. Is there a less WTO-inconsistent alternative measure reasonably available? Yes – once again, the EC could ask for the cooperation of

²⁴ Second Written Submission of the EC, paragraph 89.

another WTO Member government after an application has been lodged should such cooperation be necessary to assess an application.

69. Moreover, the EC has not even attempted to establish a *prima facie* case that the requirement for an application for the registration of an EC-defined GI for an imported product to be submitted through the government of the WTO Member in which the relevant geographical area is located is consistent with the chapeau of Article XX. A simple assertion²⁵ does not constitute a *prima facie* case. The EC has not met its burden of proof for the invocation of GATT Article XX(d).

70. In any case – should the Panel consider that the requirement for an application for the registration of an EC-defined GI for an imported product to be submitted through the government of the WTO Member in which the relevant geographical area is located is provisionally justified under paragraph (d) of Article XX – Australia submits that the requirement would constitute "unjustifiable discrimination between countries where the same conditions prevail" within the meaning of the chapeau. Once again, if the term is already "registered" or otherwise expressly protected under another WTO Member's law – whether as a GI or, for example, as a certification trademark – the information could just as readily be provided by the applicant as by another WTO Member government. Further, and in any case, Australia notes that in *US – Shrimp*, the Appellate Body found that a measure being applied in a way that "require[d] other WTO Members to adopt a regulatory program that [was] not merely comparable, but rather essentially the same" (*emphases in original*) was not justifiable within the meaning of the chapeau of Article XX²⁶.

71. The EC has not rebutted Australia's *prima facie* case in regard to GATT Article III:4. Indeed, having regard to paragraph 33 of the EC's Oral Statement this morning, the EC seems to agree that its measure does in fact breach its GATT Article III:4 obligations.

PARIS ARTICLE 2 AND TRIPS ARTICLES 1.1 AND 1.3, 2.1 AND 3.1

72. Australia claims that – in respect of the registration of, or objections to, an EC-defined GI – the EC measure does not accord national treatment in the protection of intellectual property, contrary to Paris Article 2 and TRIPS Articles 1.1 and 1.3, 2.1 and 3.1. In respect of the registration of more than 120 EC-defined GIs under the normal registration process, the EC measure provided a right of objection to persons resident or established in an EC Member State that was not available to other WTO Member nationals. In addition, the EC measure as a whole does not accord national treatment to the nationals of other WTO Members.

73. In the *US – Section 211 Appropriations Act* dispute, the Appellate Body found that "... the jurisprudence on Article III:4 of the GATT 1994 may be useful in interpreting the national treatment obligation in the TRIPS Agreement".²⁷ In Australia's view, the general principles that underpin the "treatment no less favourable" standard of GATT Article III:4 were intended to apply in the context of TRIPS Article 3.1. Thus, each WTO Member is required to accord to the nationals of other WTO Members treatment no less favourable than the treatment it accords to its own nationals with regard to the protection of intellectual property.

74. In Australia's view, the obligation in TRIPS Article 3.1 could appropriately be considered in this dispute within the framework of the question: "does the treatment accorded by the EC measure modify the conditions of competition in the EC market to the detriment of nationals of other WTO Members with regard to the protection of intellectual property"?

²⁵ EC's Second Written Submission, paragraph 238.

²⁶ *US – Shrimp*, AB report, para. 163

²⁷ *US – Section 211 Appropriations Act*, Appellate Body report, paragraph 242.

75. Australia has addressed the EC's arguments in respect of the registration of more than 120 EC-defined GIs under the normal registration process in detail in its Written Rebuttal Submission. Did the treatment accorded by the EC measure modify the conditions of competition in the EC market to the detriment of other WTO Member nationals, who were able to object to the registration of these EC-defined GIs? Most assuredly, yes. There was simply no mechanism by which a national of another WTO Member who was not resident or established in an EC Member State could object to the proposed registration of an EC-defined GI.

76. The EC again relies on the assertion that Articles 12.1 and 12.3 of Regulation 2081/92 do not apply to other WTO Members. As in relation to GATT Article III:4, Australia submits that the EC must be viewed as having conceded that applying conditions of reciprocity and equivalence to the registration of an EC-defined GI from another WTO Member would breach the "treatment no less favourable" standard of TRIPS Article 3.1. Thus, to the extent that the Panel considers the EC's explanation of the proper interpretation of Regulation 2081/92 is not sustainable on the basis of the rules of interpretation of EC law, the EC has not rebutted Australia's *prima facie* case.

77. Equally, the EC has not rebutted Australia's claim concerning the need for an application or an objection to be transmitted by another WTO Member government. Requiring that another WTO Member government act as a "sub-national" government of the EC in respect to an EC measure is not – and indeed cannot be – "treatment no less favourable" to nationals of other WTO Members within the meaning of TRIPS Article 3.1. Given the express recognition by the TRIPS Agreement that IP rights are private rights, there is no basis in the Agreement to deny applicants for the registration of EC-defined GIs direct access to the EC as the WTO Member granting the IP right. Nor is there any basis in the Agreement to require that nationals of other WTO Members lodge objections to the registration of an EC-defined GI through another WTO Member government. Notwithstanding a superficial appearance of symmetry of treatment, the EC measure accords less favourable treatment to the nationals of other WTO Members with regard to the protection of intellectual property within the meaning of TRIPS Article 3.1.

78. Moreover, Australia notes the EC's assertion that the registration of the 480 EC-defined GIs under the simplified registration system is in any case outside the temporal scope of the TRIPS Agreement because of TRIPS Article 70.1. In the *Canada – Patent Term* dispute, the Appellate Body found that Article 70.1 applies where acts were done, carried out or completed before the date of application of the TRIPS Agreement for a Member.²⁸ As the registrations of those 480 EC-defined GIs were not done, carried out or completed before 1 January 1996, they are subject to all of the EC's obligations pursuant to the TRIPS Agreement.

79. The EC has not rebutted Australia's *prima facie* case that the EC measure is inconsistent with Paris Article 2 as "incorporated" by TRIPS Article 2.1, as well as TRIPS Articles 1.1 and 1.3, and 3.1.

GEOGRAPHICAL INDICATIONS

TRIPS ARTICLE 22.2

80. It is Australia's claim that – in respect of the registration of an EC-defined GI – the EC measure does not provide the legal means for interested parties to prevent misleading use or use which constitutes an act of unfair competition within the meaning of Paris Article 10*bis*.

81. The EC's response²⁹ presupposes that the territory of the EC Member State of origin of an EC-defined GI and the territory of the EC itself are interchangeable. Indeed, some of the EC's own

²⁸ *Canada – Patent Term*, Report of the Appellate Body, paragraphs 54-55.

²⁹ Second Written Submission of the EC, paragraphs 381-393.

Member States have argued vigorously that the term "Feta" should not have been registered as an EC-defined GI because it has long been a generic term within those Member States.

82. In addition, the EC's response is premised on a mischaracterisation of Australia's arguments. Australia has not said that registration of a term as an EC-defined GI in territory A could be deemed misleading simply because the term has become generic in territory B.³⁰

83. The EC disparages Australia's reliance on Bodenhausen, but ignores that the EC itself has elsewhere relied on that source.³¹ The EC also ignores that Australia pointed as well to the WIPO Model Provisions on Protection Against Unfair Competition in support of its contention that Paris Article 10*bis* encompasses the notion of honest practices established in international trade.³² In its turn, however, the EC offers no sources in support of its own interpretation of TRIPS Article 22.2.

84. Australia does not purport to say whether it may be that registration of any particular EC-defined GI would be misleading or would constitute an act of unfair competition within the meaning of Paris Article 10*bis* under TRIPS Article 22.2.

85. What is clear, however, is that the EC has an obligation to provide the legal means by which interested parties can seek to test such issues in relation to the registration of an EC-defined GI. It does not do so.

TRIPS ARTICLES 1.1 AND 2.1

86. As a consequence of the EC's failure to comply with Paris Articles 10*bis*(1) and 10*ter*(1) in respect of the registration of an EC-defined GI, the EC has not complied with TRIPS Article 2.1.

87. Further, and in any case, as a consequence of the EC's failure to comply with any of its obligations under the TRIPS Agreement in respect of the registration of an EC-defined GI – including in relation to decisions by EC Member States to grant transitional national protection – the EC has failed to give effect to the provisions of the TRIPS Agreement, contrary to TRIPS Article 1.1.

TBT

TBT ARTICLES 2.1 AND 2.2

88. Australia claims that the EC measure is a technical Regulation that is inconsistent with TBT Article 2.1 to the extent that Article 12.2 of Regulation 2081/92:

- is a mandatory labelling provision
- that applies to imported products bearing, or eligible to bear,
- an EC-defined GI that is identical to an EC-defined GI from within the EC already registered under the Regulation
- for a like domestic product and provides no discretion for the EC to apply the provision in such a way as to avoid less favourable treatment to the imported product.

89. Australia also claims that the EC measure is a technical Regulation that is more trade restrictive than necessary to fulfil a legitimate objective – taking account of the risks non-fulfilment

³⁰ Second Written Submission of the EC, paragraph 389.

³¹ First Written Submission of the EC, footnote 46.

³² Australia's reply to Question 24 from the Panel following the first meeting with the parties.

would create – contrary to TBT Article 2.2, to the extent that Articles 4, 10 and 12.1 of Regulation 2081/92:

- establish a mandatory requirement
- for another WTO Member to have in place in all circumstances an EC-mandated inspection structure.

90. In reply, the EC sets out arguments that are irrelevant to Australia's claims.

91. Firstly, on the threshold question as to whether the Regulation is in part a technical regulation, with respect to Articles 4 and 10 of the Regulation, the EC alludes to other provisions of the TBT Agreement – those dealing with conformity assessment procedures – while only partially addressing Australia's arguments supporting its claim that those Articles read together constitute a technical regulation.

92. The question at issue is the following: has the EC rebutted Australia's claim that these provisions of the Regulation impose (i) product characteristics or related processes or a labelling requirement (ii) applying to identifiable products and (iii) with which compliance is mandatory? If the answer is no, the EC has not rebutted Australia's claim that these provisions constitute technical regulations. Any discussion of what might be a conformity assessment procedure under the Regulation – or of what might be the function of the inspection structure mandated by Article 10 of the Regulation – is irrelevant to this central question.

93. Secondly, with regard to Australia's claim pursuant to TBT Article 2.2, the EC confuses the issue by responding to claims Australia has not made. It asserts, wrongly, that Australia objects to the idea of inspection structures *per se*, preferring that there be no inspection structure at all. It then proceeds to elaborate on elements of the inspection structure required by Article 10, stating that Australia "[has] been unable to identify a single element in the requirements of Article 10 ... that would be objectionable".³³

94. Australia has not sought to identify objectionable elements in the inspection structure mandated by Article 10 because it is not that structure itself which is "objectionable". Let's be clear on what Australia does consider to be the "objectionable" – and WTO-inconsistent – feature of the EC regime. It is not one or more specific elements of the inspection structure provided for in Article 10. Nor is it the notion of a verification process for the authenticity of agricultural products bearing an EC-defined EC.

95. It is the fact that the Article 10 type of inspection structure is imposed on other WTO Members, regardless of their existing inspection structures and/or other systems or mechanisms that perform the same function. If such a requirement were necessary, the EC would have had to determine that no other system in any WTO Member could in any circumstances provide the same degree of assurance as the EC's system for compliance verification and enforcement, or for the prevention of deceptive practices.

96. That is the issue here. The EC's repeated explanations of how its inspection structures work and how unobjectionable its features may be are irrelevant to this central point.

97. Australia submits that the EC has not rebutted Australia's claim that Regulation 2081/92 is in part a technical regulation. Similarly the EC has failed to rebut Australia's *prima facie* case that to the extent it is a technical regulation, the EC measure is inconsistent with TBT Articles 2.1 and 2.2.

³³ Second Written Submission of the EC, paragraph 103.

98. I would like to make a final point in relation to the TBT Agreement. Australia noted with interest the EC's selective use of the Appellate Body's findings at paragraph 241 of its Oral Statement. The EC noted the Appellate Body's in the *EC – Asbestos* dispute that products to which a technical Regulation applies need not be expressly identified in order to be an "identifiable product". The EC then went on to say – and I quote: "[h]owever, the product should at least be identifiable on the basis of the document itself. This is not the case here ...". If the EC had continued reading the Appellate Body report, it would have seen that – two paragraphs later the Appellate Body said: "although this prohibition against products containing asbestos applies to a large number of products, and although it is, indeed, true that the products to which this prohibition applies cannot be determined from the terms of the measure itself, it seems to us that the products covered by the measure are *identifiable*: all products must be asbestos free and products containing asbestos are prohibited".³⁴ Those further findings by the Appellate Body in that dispute are equally applicable here.

TRIPS ARTICLE 20

99. As a final point concerning the actual claims made by Australia – and with the benefit of the explanations of the EC measure now provided by the EC – I confirm that Australia withdraws its claim under TRIPS Article 20.

GENERAL ISSUES

100. I would also like to make some general comments about some of the EC's characterisations of issues raised by this dispute. I note that there are a number of statements and comments made by the EC in this dispute about international law, WTO dispute settlement and even Australia's intellectual property system. Australia does not agree with many of these, but in the interests of not being distracted from the main issues in the dispute, we have chosen not to engage in pointless debate. But there are some EC "red herrings" on which I feel I must comment for the record.

101. Firstly – having regard to the requirements of the DSU – Australia is not obliged to address each and every claim and to set out its complete case at each and every stage of the dispute. Nor is Australia obliged to demonstrate adverse trade effects from a measure it is complaining against. And it is for the complaining Member to judge whether dispute settlement action would be "fruitful" in accordance with DSU Article 3.7: the function of the Panel is to "make an objective assessment of the matter before it" in accordance with DSU Article 11.

102. Indeed, particularly after hearing the statement by the EC this morning, I would suggest that it looks like part of the Panel's work is going to require checking the EC's citations and sources very carefully, given that a number of them are misleading. I simply don't believe the EC's attempts at alleging differences between Australia and the US add anything to its arguments. There are no material differences anyway, and surely the EC is not suggesting that where Australia and the US agree, we are right and the EC accepts it is wrong?

103. Moreover, on the subject of citations and footnotes, Australia notes the EC's inclusion of substantive text in some footnotes which was not read. It is therefore unclear to Australia what constitutes the EC's Oral Statement.

104. Secondly, a superficial similarity between aspects of the complaining and responding parties' implementation measures does not constitute a defence for a challenged measure. It is rarely possible to consider the meaning of a legislative provision in isolation, a fact recognised by the EC in its own

³⁴ *EC – Asbestos*, Appellate Body Report, paragraph 72.

statement that the meaning of Regulation 2081/92 must be assessed within the legal order of the EC.³⁵ The EC's attempts to have the Panel examine Australia's measures implementing Australia's obligations under the TRIPS Agreement should be dismissed. For these reasons, Australia requests that the Panel reject Exhibits EC-67, EC-68, EC-78 and EC-79. They are not relevant to the measure at issue in Australia's complaint, and do not constitute rebuttal of arguments made by Australia. Australia is very willing to discuss its legislation should the Panel so wish. Ultimately, however, Australia's legislation is simply not relevant to this dispute. For the same reasons, Australia requests that the Panel also reject Exhibits EC-73 concerning Canadian legislation and EC-80 concerning New Zealand legislation.

105. Thirdly, the EC seems to be of the view that the territories of the EC and of its constituent Member States can be interchangeable for the purposes of some IP rights, and that geographical indications are granted some form of primacy as an IP right by the TRIPS Agreement. How else could an EC-defined GI that was not recognised as such in all of the EC's individual Member States be transformed overnight into a term protected throughout the territory of the EC without regard to the EC's other obligations under the TRIPS Agreement? Yet the territories of the EC and its constituent Member States are not interchangeable in any and all circumstances come what may. Nor does the TRIPS Agreement grant primacy to any particular IP right, whether a TRIPS-defined GI or a trademark.

106. Finally, the EC has expressly acknowledged that "... the subject matter of the present dispute falls within the exclusive competence of the EC, and not of the Member States".³⁶ The subject matter of this dispute – in respect of the complaint initiated by Australia and as set out in Australia's panel establishment request – is, in effect, the EC's regime for the registration and protection of EC-defined GIs.

107. Thus, the rights and obligations of a WTO Member under TRIPS Article 1.1 devolve directly onto the EC in its own right insofar as the subject matter in this dispute is concerned.

108. Moreover, pursuant to that Article, a WTO Member must unreservedly give effect to the provisions of the TRIPS Agreement – including the standards concerning the availability, scope and use for all categories of IP rights as set out in Part II of the Agreement. These, of course, include the standards established by the Agreement concerning the scope and use of trademarks. A WTO Member may implement more extensive protection than it is required to implement – but only if that more extensive protection is not in breach of the provisions of the TRIPS Agreement, including those concerning trademarks. Finally, while each and every WTO Member is able to decide for itself how to implement the provisions of the TRIPS Agreement, whether these constitute rights or obligations, it is not consistent with the EC's obligations to interpret the TRIPS Agreement in such a way that its internal legal order renders provisions of that Agreement meaningless insofar as the territory of the EC and/or its individual Member States is concerned.

CONCLUSION

109. While the EC has sought to complicate the issues before the Panel, I think at least three or four key issues are clearer as we go into this second meeting with you.

110. Firstly – in respect of the registration of an EC-defined GI – do trademark holders have a readily discernible and specific right under the Regulation as required to be provided to them under TRIPS Article 16.1? While the EC has sought to suggest that there is something resembling this within the Regulation, these arguments require a reinterpretation of key terms within intellectual

³⁵ See, for example, Second Written Submission of the EC, paragraph 7.

³⁶ First Written Submission of the EC, paragraph 255.

property law, such as "confuse" versus "mislead". The EC has not provided any credible evidence even then that there is anything in the Regulation that provides for the security of this right. This clearly contrasts with its own specific Regulation and Directive in respect of trademarks which would otherwise apply – but for the system of protection of GIs under Regulation 2081/92 – with respect to GIs registered pursuant to that Regulation. Consequently, the EC has not rebutted Australia's claims in this context.

111. Secondly, does Article 12.1 of the Regulation apply with respect to nationals of WTO Members? The EC has introduced little or no credible evidence, as opposed to unsubstantiated statements, that provides reassurance that it doesn't. Consequently, at least with respect to claims about reciprocity and equivalence, the EC is in breach of its national treatment obligations.

112. Thirdly, with respect to geographical indications themselves, the EC has argued that it provides for TRIPS Article 22.2 rights under EC Member State law. Again, a clear admission with respect to what is lacking under the Regulation itself. But again, the system of protection of GIs under Regulation 2081/92 and with respect to GIs registered pursuant to that Regulation disturbs what may otherwise be sufficient to meet the EC's obligations. Consequently, the EC has not rebutted Australia's claims in this context either.

113. Fourthly, the EC has not provided any credible argument why a measure cannot be examined under both the TBT Agreement and TRIPS, given they are part of the same agreement. By contrast, Australia has been mindful of findings of the Appellate Body on the integrated nature of the WTO Agreement. Further, Australia has shown why aspects of Regulation 2081/92 are subject to the TBT Agreement, and how the Regulation breaches obligations established by that Agreement.

114. For all these reasons, and those substantiated in our other statements and submissions, Australia submits that the EC measure is inconsistent with a number of the EC's WTO obligations.

ANNEX A-7

**CLOSING STATEMENT OF AUSTRALIA
SECOND SUBSTANTIVE MEETING**

(12 August 2004)

Mr Chairman, Members of the Panel

Between the written argumentation and the two meetings with you, I believe that when you review all of the material that Australia has submitted, you will see that Australia's case is straightforward, succinct and thoroughly substantiated. And the EC can rest assured we have carefully considered our case and the implications.

Australia endorses all of the arguments put forward by the United States. Where there are differences between the complainants, these are a result of different understandings of the flawed measure at issue in this dispute, and, in any case, are not material differences.

I will therefore not go through our substantive claims and arguments again, except for two points.

The discussion on the ECJ this morning was interesting in the context of our claims under TRIPS Article 16.1 and Article 42. In particular, it is useful to compare the EC's answers with the Appellate Body discussion in *Canada – Patent Term*. At paragraph 92, where the Appellate Body was talking about the relevant right, it said that the right must be “a readily discernible and specific right, and it must be clearly seen as such”.

With respect to GATT Article XX(d), in addition to the US's comments, we note the EC's attempt to shift the burden of proof regarding the chapeau to the complaining parties in its closing statement. The EC has clearly failed to meet its burden of proof for invoking a GATT Article XX(d) defence.

On the rest of the substance, I will not reopen all the debates, but obviously found much in the EC's closing statement that we disagree with.

I believe you will find little from the EC by way of substantiated rebuttal that addresses Australia's *actual* claims and arguments.

Instead, the EC has ignored our actual claims and arguments and adopted the tactic of insulting Australia. At the same time, the EC has directed its rebuttal to claims and arguments Australia has not made.

Further, it has variously claimed poor drafting, abandoned previous statements made by various EC entities and authorised representatives, or just ignored aspects of its own Regulation and legal system.

None of this constitutes rebuttal of Australia's *prima facie* case, however.

And none of this constitutes an excuse to try and get from the WTO Membership through the Regulation what the EC failed to get out of the Uruguay Round.

The obligations of the EC are clear, and the EC is not living up to these to the extent and as shown in Australia's submissions.

Thank you, Mr Chairman and Members of the Panel.

ANNEX A-8**REPLIES BY AUSTRALIA TO QUESTIONS POSED BY THE PANEL
FOLLOWING THE SECOND SUBSTANTIVE MEETING**

(26 August 2004)

I. TABLE OF CASES CITED IN THIS SUBMISSION

Short Title	Full Title
<i>Korea – Beef</i>	<i>Korea – Measures Affecting Imports of Fresh, Chilled and Frozen Beef</i> , Report of the Appellate Body, WT/DS161/AB/R, WT/DS169/AB/R, 11 December 2000
<i>US – Section 211 Appropriations Act</i>	<i>United States – Section 211 Omnibus Appropriations Act of 1998</i> , Report of the Appellate Body, WT/DS176/AB/R, 2 January 2002
<i>Japan – Alcohol Taxes</i>	<i>Japan – Taxes on Alcoholic Beverages</i> , Report of the Appellate Body, WT/DS8/AB/R, WT/DS10/AB/R, WT/DS11/AB/R, 4 October 1996
<i>EC – Asbestos</i>	<i>European Communities – Measures Affecting Asbestos and Asbestos-Containing Products</i> , Report of the Appellate Body, WT/DS135/AB/R, 12 March 2001
<i>Korea – Dairy Safeguard</i>	<i>Korea – Definitive Safeguard Measure on Imports of Certain Dairy Products</i> , Report of the Appellate Body, WT/DS98/AB/R, 14 December 1999
<i>Canada – Patent Term</i>	<i>Canada – Term of Patent Protection</i> , Report of the Appellate Body, WT/DS170/AB/R, 18 September 2000
<i>India – Patents</i>	<i>India – Patent Protection for Pharmaceutical and Agricultural Chemical Products</i> , Report of the Appellate Body, WT/DS50/AB/R, 19 December 1997

II. OTHER SOURCES CITED IN THIS SUBMISSION

Short Title	Full Title
<i>OED</i>	<i>The New Shorter Oxford English Dictionary</i> , Ed. Lesley Brown, Clarendon Press, Oxford, 1993

94. *The Panel takes note that, in the EC's view, the specific conditions contained in Article 12(1) of Regulation (EC) No. 2081/92 do not apply to WTO Members because the introductory phrase "[w]ithout prejudice to international agreements" ensures that the WTO agreements prevail where there is a conflict with the Regulation (EC rebuttal, para. 55). Which precise EC obligations under the WTO agreements would be prejudiced by the application of those specific conditions to other WTO Members? In particular:*

- (a) would the EC's obligations under Article III:4 of GATT 1994 be prejudiced?*
- (b) would the EC's obligations under Article 3.1 of the TRIPS Agreement be prejudiced? If not, please explain the relevance of your reference to the fact that the TRIPS Agreement obliges WTO Members to provide protection to GIs in accordance with Section 3 of Part II and the general provisions and basic principles of the TRIPS Agreement (EC first written submission, paras 65-66). EC*

95. *Can the EC provide the Panel with any official statement by the Commission or any other EC institution, that the application of conditions of reciprocity and equivalence, such as those under Article 12(1) of Regulation (EC) No. 2081/92, would be inconsistent with the EC's obligations under international agreements, in particular, the WTO Agreement? EC*

96. *The EC has provided a revised Guide to Regulation (EC) No. 2081/92, dated August 2004 (Exhibit EC-64). Was this new version prepared in connection with this Panel proceeding? How is it relevant to the Panel's work if the Commission assumes no liability for its contents (see its cover page)? A new paragraph in the introduction (page 5) indicates that "the Commission reserves the right to amend procedures" and indicates the possibility of further possible revisions. Does this mean that the Guide could be changed back to the old version? EC*

97. *The Panel takes note of the EC's responses to Panel questions nos. 16 and 17 and the EC's rebuttal, paras 79-86. Please explain in detail how the Commission's interpretation that Article 12(1) of Regulation (EC) No. 2081/92 does not apply to WTO Members is consistent with the statements in the EC responses in the TRIPS Council review of legislation to question No. 4 posed by New Zealand and the follow-up question posed by India on page 24 in IP/Q2/EEC/1 (cited in Australia's rebuttal, para. 33, fn. 23). EC*

98. *Is it the EC's submission that the conditions in Article 12(1) of Regulation (EC) No. 2081/92 do not apply to WTO Members so that:*

- (a) WTO Member nationals may obtain GIs for areas located in all countries; or*
- (b) persons from all countries may obtain GIs for areas located in all WTO Members? EC*

99. *The EC has referred to other Community legal acts in relation to the meaning of the phrase "without prejudice to international agreements" (EC rebuttal, paras 62-66). Please also refer to Regulation (EC) No. 2082/92 on certificates of specific character for agricultural products and foodstuffs, which was adopted with the Regulation at issue in this dispute. To what international agreements does the phrase "[w]ithout prejudice to international agreements" refer as used in Article 16 of that Regulation? EC*

100. *In Regulation (EC) No. 753/2002 on wine (set out in Exhibit US-35), Articles 34-36 refer to "third countries", apparently to refer to both WTO and non-WTO Members. It expressly states wherever a "third country" is limited to, or excludes, WTO Members. Why was Regulation (EC) No. 2081/92 drafted in such a way that the meaning of "third country" in Articles 12 through 12d is*

not clearer each time it was used? Does the use of "WTO Member" together with "third country" in certain instances in Articles 12 through 12d of Regulation (EC) No. 2081/92 not suggest that the term "third country" excludes WTO Members in those articles? EC

101. The Panel takes note of the parties' respective views on the meaning of "nationals" under the TRIPS Agreement and the Paris Convention. Without prejudice to those views, please explain in detail which nationals should be compared for the purposes of the TRIPS national treatment obligations, based on the text of the agreement.

Please refer to the quadrant in the third party submission of Chinese Taipei (para. 9). Both the EC and the US compare an EC national with rights to a GI located in the EC. On the US view, that national should be compared with a US national with rights to a GI located in the US. But on the EC view, that national should be compared with a US national with rights to a GI located in the EC. Would it be appropriate instead to compare all EC nationals with rights to GIs who might wish to register them under Regulation (EC) No. 2081/92, wherever the geographical areas are located, and compare them with all US nationals with rights to GIs who might wish to register them under the Regulation, wherever the geographical areas are located?

More generally, is there a principle in the TRIPS Agreement that all nationals of one WTO Member with rights to a particular category of intellectual property, such as GIs, should be compared with all nationals of other WTO Members with rights to the same category of intellectual property, unless the text of the agreement indicates that with respect to particular types of products or other sub-categories, they require particular treatment? USA, AUS, EC

1. As set out by Chinese Taipei, there are four combinations of nationals and geographic areas that can be examined:

1. EC national, relevant geographical area located within the EC;
2. Non-EC national, relevant geographical area located within the EC;
3. EC national, relevant geographical area located outside the EC; and
4. Non-EC national, relevant geographical area located outside the EC.

2. Regardless of any other comparisons, it is appropriate, and necessary, to compare Category 1 with Category 4 for the purposes of determining whether there is a breach of the EC's national treatment obligations.

3. TRIPS Article 3.1 provides that nationals of other WTO Members shall be accorded treatment no less favourable than that accorded to a WTO Member's own nationals with regard to the protection of intellectual property. Protection is defined in that context as including "matters affecting the availability, acquisition, scope, maintenance and enforcement of intellectual property rights ...".

4. At least one right at issue in this dispute is the right of a person to register an EC-defined GI to which that person has a valid claim. Clearly, under the EC measure, nationals (however defined) of a non-EC WTO Member, when seeking to register an EC-defined GI for a geographical area outside the EC (that is, Category 4 above) are treated less favourably than EC nationals seeking to register an EC-defined GI for a geographical area inside the EC (that is, Category 1 above).

5. There is nothing in the TRIPS Agreement or Paris Convention that enables or excuses such less favourable treatment for non-EC nationals.

102. Is it safe to assume that persons resident or established in one country to produce agricultural products or foodstuffs will be considered "nationals" of that country for the purposes of TRIPS? Why is it, or is it not, safe to assume that applicants for GIs under Regulation (EC) No.

2081/92 are "nationals" of the country where their GI is located, for the purposes of TRIPS? USA, AUS, EC

6. As set out in response to question No. 101 above, there is clearly at least one category of non-EC nationals that is being treated less favourably than a category of EC nationals with regard to the protection of an EC-defined GI to which the respective nationals have a claim. It is therefore not necessary to make any assumptions about the population of other categories, or to seek to characterise all persons in every WTO Member that may be seeking to register an EC-defined GI.

7. In any case, Australia notes that the Appellate Body in *Korea – Beef*, with regard to the national treatment obligation in GATT Article III:4 held that, notwithstanding the fact that the measure did not in and of itself result in less favourable treatment to imported products, the effect of the measure in that dispute was to treat imported products less favourably than domestic like products.¹ Similarly, in the present dispute, the overwhelming majority of applications for registrations related to geographical locations in other WTO Members will be made by nationals (however defined) of those Members. Thus, the effect of the EC measure is that the specific provisions and additional requirements of the measure for names relating to products originating outside of the EC will overwhelmingly apply to non-EC nationals.

103. *The Panel takes note that the EC does not exclude entirely that "under certain circumstances, measures which are neutral on their face may nonetheless constitute less favourable treatment of foreign nationals" and that the EC believes that national treatment under TRIPS should not overlap with GATT 1994 (EC response to Panel question No. 29, paras 71 and 74). What other considerations are relevant to the assessment of de facto discrimination under TRIPS? What is the relevance, if any, of the fact that the TRIPS Agreement does not contain a general exceptions provision analogous to Article XX of GATT 1994? USA, AUS, EC*

8. The preambular clauses to the TRIPS Agreement expressly recognise "the need for new rules and disciplines concerning ... the applicability of the basic principles of GATT 1994". As the Appellate Body has noted, the national treatment obligation is a "cornerstone of the world trading system that is served by the WTO".² The Appellate Body has found that: "... as the language of Article 3.1 of the *TRIPS Agreement*, in particular, is similar to that of Article III:4 of the *GATT 1994*, the jurisprudence on Article III:4 of the *GATT 1994* may be useful in interpreting the national treatment obligation in the *TRIPS Agreement*".³ In *Korea – Beef*, the Appellate Body said: "[a]ccording 'treatment no less favourable' means ... according *conditions of competition* no less favourable to the imported product than to the like domestic product".⁴ (*emphasis in original*)

9. It was against that background that Australia suggested that the "treatment no less favourable" obligation in TRIPS Article 3.1 could appropriately be considered within the framework of the question: "does the treatment accorded by the EC measure modify the conditions of competition in the EC market to the detriment of nationals of other WTO Members with regard to the protection of intellectual property?".⁵ In Australia's view, considering the obligation established by TRIPS Article 3.1 in that manner ensures that the basic national treatment principle that is a cornerstone of the world trading system applies in relation to the protection of intellectual property and in relation to nationals rather than to products. Further, and as a consequence, considering the obligation established by TRIPS Article 3.1 in that manner enables any factors which may constitute *de facto* discrimination within the meaning of TRIPS Article 3.1 to be properly assessed.

¹ *Korea – Beef*, paragraphs 142-148.

² *US – Section 211 Appropriations Act*, paragraph 241.

³ *US – Section 211 Appropriations Act*, paragraph 242.

⁴ *Korea – Beef*, paragraph 135.

⁵ Second Australian Oral Statement, paragraph 74.

10. It is true that the TRIPS Agreement does not contain a mirror provision to GATT Article XX in the same way as, for example, GATS Article XIV. Unlike GATT 1947 and GATS at the time of their respective negotiations, the TRIPS Agreement was not a pioneering multilateral agreement for many of the IP rights it covers. Thus, it expressly recognises that multilateral regimes with broad adherence already existed – and continue to co-exist – for the protection of many of the IP rights to which it relates. Further, it recognises that, in accordance with those established multilateral regimes, IP rights are generally made available, acquired and enforced in accordance with the national laws of, and with respect to the territory of, a party to those regimes.

11. Reflecting the historical development of the international IP protection regime, the TRIPS Agreement – at Article 7 – expressly recognises that the protection and enforcement of IP rights should take place "in a manner conducive to social and economic welfare", and – at Article 8.1 – expressly provides that WTO Members "may, in formulating or amending their laws and regulations, adopt measures necessary to protect public health and nutrition ..., provided that such measures are consistent with the provisions of this Agreement". In other words, WTO Members may take account of legitimate public policy objectives and principles when establishing their national regimes for the protection of IP rights. Having incorporated legitimate public policy objectives and principles in its national regime, a WTO Member is obliged to apply such measures consistently with the provisions of the TRIPS Agreement. These include the national treatment and MFN obligations at TRIPS Articles 3.1 and 4 respectively, as well as the obligation to comply with the national treatment obligation of Paris Article 2. Once a WTO Member adopts measures for the protection of a category of an IP right, those measures apply equally to its own nationals and to the nationals of all other WTO Members.

12. Further, to the extent that a legitimate public policy objective may be specific to a particular category of IP right, the provisions of Part II of the TRIPS Agreement provide additional means for a WTO Member to prevent the acquisition of some categories of IP rights, for example, through TRIPS Articles 15.2 and 27.2 in respect of trademark and patent rights respectively, or to limit the scope of a category of IP right, for example, through TRIPS Articles 17 and 30 in respect of trademark and patent rights respectively. Indeed, TRIPS Article 27.2 expressly anticipates that a WTO Member may wish to adopt patentability exclusions on the basis of the necessity to protect human, animal or plant life or health or to avoid serious prejudice to the environment.

13. An overarching exceptions provision analogous to GATT Article XX is thus unnecessary.

14. Further, given the express provisions of TRIPS Articles 7 and 8, and of TRIPS Articles 15.2 and 17, and 27.2 and 30, the omission of an overarching exceptions provision analogous to GATT Article XX must be considered to have been deliberate. The absence of an analogous provision is, therefore, irrelevant to the assessment of the existence of *de facto* discrimination within the meaning of the national treatment obligation set out in TRIPS Article 3.1.

104. *Please provide your interpretation of the term "separate customs territory" as used in footnote 1 to Article 1.3 of the TRIPS Agreement in accordance with the customary rules of treaty interpretation. What relevance can be drawn from the fact that the same term is used in Article XXVI of GATT 1994? USA, AUS, EC*

15. As a general matter, Australia notes that a "separate customs territory" within the meaning of TRIPS footnote 1 would normally be a customs territory that is distinct or detached from another customs territory.

16. Australia also notes that, in accordance with ECJ Advisory Opinion No. 1/94,⁶ competence in the subjects covered by the TRIPS Agreement is shared between the EC and its Member States, with some matters being solely within the domain of the EC Member States. In relation to matters covered by the TRIPS Agreement, the customs territory of the EC will not always be the same as the individual territories of its constituent Member States. There may be occasions in relation to matters covered by the TRIPS Agreement when the "customs territor[ies]" of its Member States may be distinct from the "customs territory" of the EC itself. Moreover, in some matters covered by the TRIPS Agreement, for example, trademarks, rights can be acquired with respect to either the territory of the EC under the Community Trademark Regulation or the territory of a constituent Member State. This suggests that the respective customs territories are separate, that is, that the respective customs territories are distinct or detached from each other, in relation to such matters covered by the TRIPS Agreement.

17. In Australia's view, consideration of whether the EC would constitute a "separate customs territory" within the meaning of footnote 1 of the TRIPS Agreement would also require consideration of the nature of the EC's membership of the WTO more generally. That latter consideration would need to take account of many factors, including the provisions of Articles IX.1, XI.1, XII.1 and XIV of the WTO Agreement, as well as the Explanatory Notes to that Agreement. The terms of GATT Articles XXIV:2 and XXVI may secondarily provide some relevant context for that consideration, although they would not be determinative.

105. The Panel takes note of the EC's view that it is not a separate customs territory Member of the WTO within the meaning of footnote 1 to Article 1.3 of the TRIPS Agreement (EC rebuttal, para. 35).

- (a) Which natural persons does the EC consider EC nationals for the purposes of TRIPS? Are they also nationals of EC member States?
- (b) Which legal persons does the EC consider EC nationals for the purposes of TRIPS? Are they also nationals of EC member States? **EC**

*106. What are the nationalities of the applicants for GIs registered under Regulation (EC) No. 2081/92? Have there been any applicants who were not nationals of the EC member State in which the relevant GI was located? Please supply details of any that were not, and the relevant GIs. To the extent that you are aware of the nationality of persons other than the applicants who use a GI in accordance with its registration, please supply the same information. **EC***

107. The Panel takes note of the examples of foreigners and foreign companies which have invested in Europe (EC rebuttal, para. 46 and Exhibits EC-36 to EC-39; EC second oral statement, para. 28 and Exhibits EC-61 to EC-63). Is the Larsen firm a French company? Have Suntory Limited, E & J Gallo and the Robert Mondavi family formed subsidiaries, joint ventures or other entities under the laws of France and Italy to invest in those wine estates? Did Sara Lee, Kraft Foods and Nestlé purchase companies formed under the law of an EC member State?

*The Panel takes note that the EC argues that the possibility that these foreign nationals formed legal persons under the laws of an EC member State is not attributable to Regulation (EC) No. 2081/92 (EC second oral statement, para. 30). Is it appropriate to exclude such other factors from an examination of the WTO-consistency of the Regulation? Does the EC submit that the Panel should "pierce the corporate veil" and refer to ownership and control to determine nationality for the purposes of TRIPS? **EC***

⁶ ECJ Advisory Opinion No. 1/94, Exhibit AUS-13.

108. *Article 13 of Regulation (EC) No. 2081/92 provides certain protection for registered names. Please explain the practical operation of this article with respect to products, including the types of orders which may be made under Article 13(1) and the consequences of Article 13(3). How would they affect imported products? How would they provide less favourable treatment to imported products? USA, AUS*

18. In response to referrals for preliminary rulings from courts of the EC Member States, the ECJ has made findings concerning the extent of protection afforded by Article 13.1 of Regulation No. 2081/92 in well-publicised cases concerning the registered names of "Prosciutto di Parma"⁷ ("the Prosciutto judgment") and "Grana Padano"⁸ ("the Grana Padano judgment").

- In the Prosciutto judgment, the ECJ found that "... the protection conferred by [*an EC-defined GI*] does not normally extend to operations such as slicing and packaging the product. Those operations are prohibited to third parties outside the region of production only if a condition to that effect is expressly provided for in the specification" (paragraph 94).
- In the Grana Padano judgment, the ECJ found:
 - "Article 4.1 ... makes eligibility to use [*an EC-defined GI*] subject to the product's compliance with a specification. Article 8 ... makes the affixing of the indication [*EC-defined GI*] on a product subject to its compliance with the regulation, and hence with the specification. Article 13 then determines the content of the uniform protection conferred on the registered name" (paragraph 76); and
 - "... Regulation No. 2081/92 must be interpreted as not precluding the use of [*an EC-defined GI*] from being subject to the condition that operations such as the grating and packaging of the product take place in the region of production, where such a condition is laid down in the specification" (paragraph 83).

19. In relation to Article 13.3 of Regulation No. 2081/92 and generic terms, "[i]n accordance with Article 3 ..., the generic nature of a name hindering its registration must be assessed with regard to the Community situation as a whole".⁹

20. In cases concerning the registered names "Parmigiano Reggiano"¹⁰ ("the Parmesan judgment") and "Epoisses de Bourgogne"¹¹ ("the Chiciak judgment"), the ECJ has found:

- in the Parmesan judgment, that "... in the present case it is far from clear that the designation 'parmesan' has become generic" (paragraph 20), despite an earlier Opinion by Advocate General Ruiz-Jarabo Colmer ("the Canadene Opinion")¹² that the term "parmesan" had become generic (paragraph 35 and footnote 49, and paragraph 77).
- in the Chiciak judgment concerning the protection to be afforded to the constituent parts of a compound term, that: "... under the system of protection created by the 1992 regulation questions concerning the protection to be accorded to the various constituent

⁷ "The Prosciutto judgment", Exhibit AUS-14.

⁸ "The Grana Padano judgment", Exhibit AUS-15.

⁹ Regulation No. 1347/2001, preambular Recital (5), Exhibit EC-9.

¹⁰ "The Parmesan judgment", Exhibit AUS-16.

¹¹ "The Chiciak judgment", Exhibit AUS-17.

¹² "The Canadene Opinion", Exhibit AUS-18.

parts of a name, and, in particular, the question whether a generic name or a constituent part protected against the practices referred to in Article 13 of the 1992 regulation may be concerned, are matters which fall for determination by the national court on the basis of a detailed analysis of the facts presented before it by the parties concerned" (paragraph 38).

21. Following the Parmesan judgment, the European Commission has initiated action in the ECJ against Germany for failure to protect the registered term "Parmigiano Reggiano" as required by Regulation No. 2081/92, because cheeses not made in accordance with the product specification for that term continue to be sold in Germany under the name "Parmesan". In reply, Germany has asserted that "Parmesan" is a generic name.¹³

22. In addition, Australia notes that the ongoing legal action in the ECJ concerning registration of the term "Feta" largely revolves around the issue of whether that term is generic.¹⁴

23. As relevant to the issues before the Panel, it is already clear from the terms of Article 13.1 of Regulation No. 2081/92 – when read together with Articles 14.2 and 14.3 and in accordance with the rules of interpretation of EC law – that the owner of a registered trademark would not be able to prevent confusingly similar or identical use of a sign for similar or identical goods.

24. Further, it is also clear that the protection afforded by Article 13.1 is able to be extended to any restrictive condition(s) included in the product specification mandated by Article 4 of the Regulation.

25. This situation is particularly detrimental to the objective of security and predictability in trade intended to be fostered by the WTO.

26. The situation concerning the term "parmesan" illustrates the uncertainty created as a consequence of the protection afforded by Article 13.1 of Regulation No. 2081/92. As far as Australia can ascertain, use of the word "parmesan" as a generic product descriptor in the territory of the EC is banned on the basis that the ECJ has found "it is far from clear that the designation 'Parmesan' has become generic". However, the ECJ's finding was made in a preliminary ruling relating to criminal proceedings in Italy, the EC Member State of origin of the registered term "Parmigiano Reggiano". If "parmesan" originally was the French translation of the term "Parmigiano Reggiano"¹⁵ – an issue Australia does not contest in these proceedings – it logically follows that it would not have been a generic term within Italy: thus, no evidence would have been considered in the criminal proceedings in Italy, and thus referred to the ECJ. If use of what are considered in many parts of the world – including many EC Member States – to be generic product descriptors can be prevented within the territory of the EC on such a basis, on what other bases could such terms be prevented? Moreover, potential competitors have no way of knowing what terms may be considered to be translations of a registered – and thus protected – name.

27. The uncertainties created by the practical operation of Article 13.1 of Regulation No. 2081/92 and its application in situations involving generic terms partially inform Australia's claims concerning TRIPS Article 22.2 and Paris Articles 10*bis*(1) and 10*ter*(1) in respect of the registration of an EC-defined GI. Australia has not been able to identify any means within the EC's legal order by which a legitimately interested person – whether natural or legal, or a national of the EC or of another WTO Member – is assured of access to a court empowered to consider substantively an act of unfair competition contrary to honest practices in industrial or commercial matters, including in international

¹³ "The Parmesan press release, Exhibit AUS-19.

¹⁴ See Common Exhibits COMP-3.b ("the Feta amendment") and COMP-11 ("the Feta judgment"), and Exhibit AUS-12.

¹⁵ The Parmesan judgment, Exhibit AUS-16, paragraph 20.

trade, in respect of the registration of an EC-defined GI. The fact that Australia has not made a claim under GATT Article III:4 concerning less favourable treatment to imported products on the basis of Article 13.1 of the Regulation as well in this dispute is without prejudice to Australia's view of whether there are in fact grounds for such a claim.

109. *Leaving aside the rights conferred by Article 13 of Regulation (EC) No. 2081/92, the complainants refer to the "intent and the effect of the Regulation", the "perceived" advantages of registration and the benefits "claimed by the EC" to be gained from protection under the Regulation (US first written submission, paras 61-62; Australia's first written submission, para. 197 and US and Australia's respective responses to Panel question No. 32). On what basis do the complainants argue that the aims and effects of the EC measure are relevant to ascertaining less favourable treatment within the meaning of Article III:4 of GATT 1994? USA, AUS*

28. Australia notes that its reference to the advantages of registration perceived by EC producers at paragraph 197 of its First Written Submission was in the context of its claim that the EC measure as a whole does not accord national treatment to non-EC nationals under TRIPS Article 3.1 and Paris Article 2. On the other hand, Panel question No. 32 – and Australia's response – expressly referred to like products and thus, by implication, GATT Article III:4.

29. In examining a claim under GATT Article III:4 in *Korea – Beef*, the Appellate Body recalled its finding in *Japan – Alcohol Taxes* that:

The broad and fundamental purpose of Article III is to avoid protectionism in the application of internal tax and regulatory measures. More specifically, the purpose of Article III "is to ensure that internal measures 'not be applied to imported or domestic products so as to afford protection to domestic production'".^[...] Toward this end, Article III obliges Members of the WTO to provide equality of competitive conditions for imported products in relation to domestic products.^[...] ...¹⁶

30. In this dispute, the effect of the EC measure taken as a whole is to afford protection to domestic production within the meaning of GATT Article III:4. This is consistent with the intent of the EC measure, in particular as expressed in the preambular recitals of Regulation No. 2081/92#1.¹⁷ However, Australia notes that even if the Panel believes the aim of the Regulation is not to provide protection to domestic production, the effect is the critical determining factor.

31. Further, Australia recalls the findings of the Appellate Body in *US – Section 211 Appropriations Act* concerning the usefulness of GATT Article III:4 jurisprudence in interpreting the TRIPS Agreement national treatment obligation.¹⁸

32. It is these – now well-established – findings by the Appellate Body that provide the support for Australia's claims that Regulation No. 2081/92 specifically – and the EC measure as a whole – accord less favourable treatment to non-EC nationals and to imported products within the meaning of TRIPS Article 3.1 and GATT Article III:4 respectively.

110. *Does the EC contest that, to the extent that Regulation (EC) No. 2081/92 provides GI protection for EC nationals and is a law affecting EC products, GI protection for other WTO Member nationals and imported products solely through other laws, such as labelling and unfair competition, would be less favourable treatment? EC*

¹⁶ *Korea – Beef*, paragraph 135, referring to *Japan – Alcohol Taxes*, pages 16-17.

¹⁷ Common Exhibit COMP-1.d.

¹⁸ *US – Section 211 Appropriations Act*, paragraph 242.

111. *Does the EC contest that national treatment and MFN obligations under TRIPS apply to TRIPS-plus protection, and apply to Regulation (EC) No. 2081/92 even to the extent that it does not merely implement the EC's obligations under Article 22? EC*

112. *The Panel takes note that the Commission has not recognized any country under Article 12(3) of Regulation (EC) No. 2081/92 (EC response to Panel question No. 10, para. 22). Is the Commission obliged to recognize any country that satisfies the conditions set out in Article 12(1)? USA, AUS, EC*

33. No.

34. Article 12.1 of Regulation No. 2081/92 expressly provides that the Regulation "may" apply to an agricultural product or foodstuff from a "third country". Thus, even if the conditions set out in Article 12.1 are complied with by a WTO Member or other third country, the EC is not obliged to recognise that WTO Member or other third country under Article 12.3. (And if it does recognise a WTO Member or other third country, it must in any case do so in accordance with the terms of the Regulation.)

113. *The EC argues that there must be a substantive difference between two provisions governing the registration of GIs in order for one to entail less favourable treatment (EC second oral statement, para. 40). What is a "substantive" difference in this sense? Does the EC allege that there is a de minimis standard for less favourable treatment under TRIPS or GATT 1994? Is a simple difference in language insufficient to establish different treatment? EC*

114. *With respect to registration applications under Article 12a(2) of Regulation (EC) No. 2081/92, a third country must verify that the requirements of the Regulation are satisfied before it transmits the application:*

- (a) *to what extent is this designed to confirm the protection of the GI in its country of origin in accordance with Article 24.9 of the TRIPS Agreement, and to what extent does it respond to other objectives?*
- (b) *is this additional to the requirement that a registration application transmitted to the Commission must be accompanied by a description of the matters set out in Article 12a(2)(a)?*
- (c) *does the Commission also examine whether the application satisfies the conditions for protection under Article 12b(1)(a)? How is this examination different from the verification by the third country? EC*

115. *With respect to objections under Article 12b(2)(a) of Regulation (EC) No. 2081/92, what is an objection that "comes from a WTO Member"? With respect to objections under Article 12d(1) of the Regulation, what is the meaning of a person who "is from a WTO Member"? Do they both refer to the place of residence or establishment of the person who wishes to object? Must objections under both provisions be sent to the country in which the person resides or is established? EC*

116. *To the extent that certain responsibilities under Articles 12a and 12d(1) of Regulation (EC) No. 2081/92 are borne by non-EC WTO Members:*

- (a) *how is the EC satisfied that every other WTO Member has the authorization to carry them out? (Please refer to Brazil's response to Panel third party question No. 1) (EC second oral statement, paras 72-77).*

- (b) *if other WTO Member governments lack authorization to carry them out, can they be carried out by the EC instead?*
- (c) *to what extent does the EC itself accord no less favourable treatment to the nationals of other Members, and to what extent do other WTO Members share the implementation of that obligation? Can a Member delegate the implementation of WTO obligations to other Members with or without their prior consent?*
- (d) *to what extent has the EC accorded certain treatment to the nationals of other WTO Members rather than to the governments of those other WTO Members? **EC***

117. *The Panel takes note of the EC's response to Panel question No. 8 concerning the meaning of "third country" and seeks clarification as to whether "third country" as used in Article 12(2) of Regulation (EC) No. 2081/92, includes WTO Members. If so, why does the "without prejudice" clause in Article 12(1) form part of the context of Articles 12(1) and (3) but not Article 12(2)? If not, where does the Regulation cover identical GIs from the EC and other WTO Members? **EC***

118. *The Panel takes note that, in Australia's view, the identical GI labelling requirement would not be inconsistent with Article 2.1 of the TBT Agreement if it was applied to both EC and imported products according to date of registration, not origin. (Australia's response to Panel question No. 53). Even if Article 12(2) does not apply to EC products as well as imported products, does the Commission have the discretion to apply the same requirement according to the date of registration to EC products under Article 6(6) in order to ensure that the identical labelling requirement is applied to the later GI irrespective of the origin of the products? **USA, AUS, EC***

35. Australia notes that its response to Panel question No. 53 was in the context only of Article 12.2 of Regulation No. 2081/92 which – having regard to the rules of interpretation applicable to EC law – governs the registration of an EC-defined GI from another WTO Member where that name is identical to an existing Community protected name. Where the earlier protected name relates to a geographic area within the EC, Article 12.2 mandates that the imported product clearly and visibly indicate the country of origin on the label. In the situation covered by Article 12.2 which is the subject of Australia's claim, Article 6.6 has no relevance.

36. As set out in response to question No. 123 below, Article 12.2 of the Regulation mandates a means of distinguishing an imported product, rather than functioning as a mark of origin *per se*. Thus, Article 12.2 mandates less favourable treatment to imported products bearing – or eligible to bear – an EC-defined GI which is identical to an already registered EC-defined GI relating to a geographical area within the EC.

119. *What is the difference, if any, in the meaning of the word "homonymous" as used in Article 6(6) of Regulation (EC) No. 2081/92 and "identical" as used in Article 12(2)? Why does the EC consider that homonyms are covered by the word "identical" in Article 12(2) (EC response to Panel question No. 43)? **EC***

120. *The Panel takes note of Australia's confirmation that the only less favourable treatment under the identical GIs labelling requirement is relabelling costs (Australia's response to Panel question No. 52). Would imported products have to be relabelled? Would existing marks of origin satisfy this requirement? What does "clearly and visibly indicated" mean? **AUS, USA, EC***

37. Australia notes that the labelling costs that it referred to in its response to Panel question No. 52 could involve either re-labelling or additional labelling, depending on the circumstances. It is possible that in some cases existing labels may – coincidentally – meet the labelling requirement of Article 12.2 of Regulation No. 2081/92.

38. Having regard to the wording, context and aim of Article 12.2 of the Regulation, the "clearly and visibly indicated" standard would seem to require at a minimum that the label be noticeably evident in the same field of vision as the registered name and the *[EC-defined GI]* symbol (Article 8 of Regulation No. 2081/92 and Articles 5a and 5b of Regulation No. 2037/93¹⁹).

121. *The Panel takes note that Australia refers to Article 6(6) of Regulation (EC) No. 2081/92 as the parallel provision to Article 12(2) (Australia's rebuttal, paras 65-66). Does Australia wish the Panel to address alleged discrimination arising from differences between these two provisions? What is the less favourable treatment? AUS*

39. Australia notes that paragraphs 65-66 of its Written Rebuttal Submission form part of Australia's argument concerning the proper interpretation of Article 12.2 of Regulation No. 2081/92 as an issue of fact. The proper interpretation of that provision – and of Article 6.6 of the Regulation – as an issue of fact forms the basis of Australia's claim that the EC measure accords less favourable treatment to imported products bearing – or eligible to bear – an EC-defined GI than to domestic like products bearing – or eligible to bear – an EC-defined GI, contrary to the EC's obligations under TBT Article 2.1. In that context, the labelling requirement can be expected to modify the conditions of competition to the detriment of the producers of the imported product bearing – or eligible to bear – an EC-defined GI in situations where a different, or additional, label is required to be produced and attached to a product because of the extra expense which will be incurred.²⁰

122. *Please refer to the phrase "labelling requirements as they apply to a product" as used in the definition of "technical regulation" in Annex 1.1 of the TBT Agreement.*

(a) *The EC argues that the "origin of a product is different from the product itself" (EC response to Panel question No. 50). However, as the EC acknowledges, the origin of a product may confer specific characteristics on it. This is consistent with the definitions of designation of origin and geographical indication in Article 2 of Regulation (EC) No. 2081/92, which provide that "the quality or characteristics of the product ... are essentially or exclusively due to a particular geographical environment ..." and that the product "possesses a specific quality, reputation or other characteristics attributable to that geographical origin ...". How then is the origin of a product entitled to bear a registered GI different from the product itself? EC*

(b) *What is the meaning of the words "as they apply to" as used in this part of the definition? Do they refer to the application of labelling requirements to the characteristics of a product, or to the product itself, or both? AUS, EC*

40. TBT Annex 1.1 defines a "technical regulation" as follows:

Document which lays down product characteristics or their related processes and production methods, include 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. (*emphasis added*)

41. The plain reading of this provision indicates that the words "as they apply to" refer to a product (as opposed to the characteristics of a product).

¹⁹ Common Exhibit COMP-2.

²⁰ Australia's First Written Submission, paragraphs 237-241.

42. Moreover, Australia's interpretation is consistent with the findings of the Appellate Body in *EC – Asbestos*, and confirmed in *EC – Sardines*, that according to the TBT Annex 1.1 definition labelling requirements are themselves an example of a product characteristic:

The heart of the definition of a "technical regulation" is that a "document" must "lay down" ... "product *characteristics*". The word "characteristic" has a number of synonyms that are helpful in understanding the ordinary meaning of that word, in this context. Thus, the "characteristics" of a product include, in our view, any objectively definable "features", "qualities", "attributes" or other "distinguishing mark" of a product. Such "characteristics" might relate, *inter alia*, to a product's composition, size, shape, colour, texture ... In the definition of a "technical regulation" in Annex 1.1, the *TBT Agreement* itself gives certain examples of "product characteristics" – "terminology, symbols, packaging, marking or labelling requirements". These examples indicate that "product characteristics" include, not only features and qualities intrinsic to the product itself, but also related "characteristics", such as the means of identification, the presentation and the appearance of a product. ...²¹ (*emphasis in original*)

123. Does the requirement to display a country of origin on a label under Article 12(2) of Regulation (EC) No. 2081/92 constitute a mark of origin covered by Article IX of GATT 1994? **AUS, EC, USA**

43. Even if the labelling requirement established by Article 12.2 of Regulation No. 2081/92 is a mark of origin within the meaning of GATT Article IX, Article 12.2 is the means by which the EC measure compulsorily differentiates between a registered EC-defined GI on an imported product and a registered EC-defined GI on a domestic EC good, where the imported product bears the later registered EC-defined GI. As such, Article 12.2 mandates a means of distinguishing an imported product, rather than functioning as a mark of origin *per se*.

44. Further, Australia's claims under the TBT Agreement are entirely unaffected even if GATT Article IX applies. The TBT Agreement, as noted by the Appellate Body in *EC – Asbestos*, imposes a specialised legal regime applying to measures within its scope. The Appellate Body found that these obligations "seem to be *different* from, and *additional* to" (*emphases in original*) the obligations imposed on Members under the GATT 1994.²² Moreover, the Appellate Body has noted several times the generally cumulative nature of a WTO Member's obligations, consistent with the integrated, binding nature of the WTO Agreement pursuant to Article II.2 of that Agreement.²³ Thus, even if GATT Article IX:I does exclude marks of origin from the GATT Article III:4 national treatment obligation, it does not follow that TBT obligations – including the national treatment obligation in TBT Article 2.1 – do not apply to marks of origin measures if those measures qualify as a "technical regulation".

124. The definition of "technical regulation" in Annex 1.1 of the TBT Agreement expressly encompasses "marking or labelling requirements as they apply to a product, process or production method". Are marks of origin and labels of origin covered by Article IX of GATT 1994 excluded from the scope of the TBT Agreement? Why did the negotiators not explicitly carve them out of its scope? Can a line be drawn between marks of origin that fall under the TBT Agreement and those that do not? What are the systemic consequences for marks of origin if they all fall within the scope of the TBT Agreement? **AUS, EC, USA**

²¹ *EC – Asbestos*, paragraph 67.

²² *EC – Asbestos*, paragraph 80.

²³ See, for example, *Korea – Dairy Safeguard*, paragraphs 74-75.

45. As noted in response to question No. 123 above, even if Article 12.2 of Regulation No. 2081/92 is covered by GATT Article IX, this does not exclude the simultaneous application of the TBT Agreement to the same provision. In Australia's view, it would be a perverse outcome if an agreement that was meant to "further the objectives of GATT 1994", and an agreement which prevails over the provisions of the GATT 1994 in the event of conflict, was made narrower in scope by having express provisions read out of that agreement.

46. The only line that has to be drawn is the line that already exists – the TBT Agreement applies to measures that it defines within its scope. This is exactly the same outcome as between the Agreement on Sanitary and Phytosanitary Measures and relevant GATT provisions, or the Agreement on Subsidies and Countervailing Measures and relevant GATT provisions.

47. As to the question of the systemic consequences marks of origin requirements falling under the TBT Agreement, Australia recalls that WTO obligations are generally cumulative²⁴ and that it is not uncommon for measures to fall under more than one WTO Agreement. This is consistent with the Appellate Body statement referred to in response to question No. 123 above that the TBT Agreement imposes a specialised legal regime applying to measures within its scope, and that these obligations "seem to be *different* from, and *additional* to" (*emphases in original*) the obligations imposed on Members under the GATT 1994.²⁵ Australia notes also that marks of origin requirements have not been excluded from the scope of other WTO Agreements: indeed, Article 1.2 of the Agreement on Rules of Origin expressly includes within its scope rules of origin used in the application of origin marking requirements under GATT Article IX. Whether all mark of origin requirements will fall under the scope of the TBT Agreement is an open question – there may be such requirements that are not in the form of measures covered by the TBT Agreement.

125. *To what extent would any less favourable treatment under Article 2.1 of the TBT Agreement have to be determined in light of the regulatory objective a Member is trying to pursue under Article 2.2? AUS, EC*

48. Australia understands that the "regulatory objective" referred to in the Panel's question is the legitimate public policy objective pursued via a technical regulation, as distinct from the intent of the legislators with regard to the specific application or treatment accorded by a measure to imported and domestic products.

49. Unlike TBT Article 2.2, TBT Article 2.1 makes no reference whatsoever to regulatory objectives. It simply establishes a national treatment obligation in respect of technical regulations, reproducing the GATT Article III:4 "treatment no less favourable" obligation. Moreover, Australia has previously noted that the TBT Agreement was negotiated to further the objectives of GATT 1994.²⁶ Australia has also previously noted the finding of the Appellate Body on the usefulness of jurisprudence on GATT Article III:4 in interpreting the national treatment obligation in another agreement.²⁷ Australia notes too the findings of the Appellate Body in *Japan – Alcohol Taxes*:

... It is not necessary for a panel to sort through the many reasons legislators and regulators often have for what they do and weigh the relative significance of those reasons to establish legislative or regulatory intent. If the measure is applied to imported or domestic products so as to afford protection to domestic production, then

²⁴ *Korea – Dairy Safeguard*, paragraphs 74-75.

²⁵ *EC – Asbestos*, paragraph 80.

²⁶ See, for example, Australia's First Written Submission, paragraph 226.

²⁷ *Ibid.*

it does not matter that there may not have been any desire to engage in protectionism in the minds of the legislators or the regulators who imposed the measure. ...²⁸

50. Against that background, it is Australia's view that the appropriate standard for determining any less favourable treatment within the meaning of TBT Article 2.1 is that set out by the Appellate Body in *Korea – Beef* when it found: '[w]hether ... imported products are treated 'less favourably' than like domestic products should be assessed ... by examining whether a measure modified the *conditions of competition* in the relevant market to the detriment of imported products'.²⁹ (*emphasis in original*)

126. With respect to Article 10(3) of Regulation (EC) No. 2081/92:

- (a) *the first indent sets out certain requirements for designated inspection authorities and/or approved private bodies. Do these apply to all countries whose GIs are protected under the Regulation, including non-EC member States?*
- (b) *the fifth indent appears to refer only to EC member States and third countries recognized pursuant to Article 12(3). Where does the Regulation refer to the applicable standard for WTO Members not recognized pursuant to Article 12(3), whose requirements private bodies must fulfil for approval purposes?*
- (c) *the fifth indent refers to "[t]he equivalent standard or the applicable version of the equivalent standard". What equivalent standard has been established for GIs for areas located in WTO Members which do not satisfy the conditions of equivalence and reciprocity in Article 12(1)? What are the criteria for establishing that standard? Is it a matter of determining what is "equivalent" to standard EN 45011? Or is it a matter of determining what standard would fulfil the objectives of the Regulation in the light of each third country's own circumstances and conditions?*
EC

127. Article 12a(2)(b) requires a declaration by a third country government that the structures provided for in Article 10 are established on its territory. Article 10(2) refers to inspection authorities and/or private bodies approved for that person by the Member State and Article 10(3) provides that where they outsource they continue to be responsible vis-à-vis the Member State for all inspections. What is the exact nature of the role that third country governments must play in the creation and maintenance of the inspection structures that are called for under Article 10? **EC**

128. In the goods area, it is not uncommon that importing country governments designate, or require the accreditation of, the bodies which exporters may use in the territory of the exporting country in order to determine compliance with product requirements. To what extent does the EC actually give the US and Australia more, rather than less, flexibility by allowing the US and Australian governments themselves to designate the bodies that may participate in the inspection process? Can the US and Australia elaborate on the reasons for which they consider governmental involvement problematic? **USA, AUS**

51. Australia reiterates that it does not contest all requirements for an inspection structure *per se*, nor does it consider government involvement in such procedures necessarily to be problematic. Rather, Australia contests the EC measure's imposition of EC-mandated inspection structures on other WTO Members, regardless of any existing inspection structures and/or other systems or mechanisms that perform the same function as the EC-mandated inspection structures.

²⁸ *Japan – Alcohol Taxes*, pages 27-28.

²⁹ *Korea – Beef*, paragraph 137.

52. This requirement is, firstly, trade restrictive, because it restricts the opportunities for non-EC producers to register an EC-defined GI to cases where the products in question originate from Members with EC-mandated inspection structures in place. Secondly, the requirement is more trade restrictive than necessary. For such a requirement to be necessary within the meaning of TBT Article 2.2, the EC would have had to have determined that no other system in any WTO Member could in any circumstances provide the same degree of assurance as the EC's system for compliance verification and/or enforcement, or for the prevention of deceptive practices.

129. *The Panel takes note of the US arguments on inspection structures (US rebuttal, paras 46-48 and 89-93; US second oral statement paras 21-27). What aspects of government involvement in inspection structures do you allege constitute less favourable treatment for foreign nationals? What aspects do you allege constitute less favourable treatment for imported products? Is there less favourable treatment where such structures already exist? USA*

130. *Other than governmental involvement in the inspection structures, what aspects of the inspection structures do the US and Australia find problematic? USA, AUS*

53. Please see answer to question No. 128 above.

131. *Which EC Directives govern conformity assessment to EC technical regulations in the goods area? To what extent do those Directives require foreign governmental involvement in the designation/approval of conformity assessment bodies, when mutual recognition agreements in the conformity assessment area do not already exist? EC*

132. *The Panel takes note of the EC's examples of flexibility in the design of inspections structures (EC rebuttal, para. 104 and Exhibit EC-48). Do these examples all relate to the nature of the inspecting authority? Who determines what constitutes an appropriate inspection for each product, and on the basis of what criteria? EC*

133. *The Panel takes note that Australia argues that the product specification requirements set out in Article 4(2) of Regulation (EC) No. 2081/92 include "product characteristics", in particular subparagraphs (b) and (e). (Australia's rebuttal, paras 197 and 204) If the inspection structures are designed to ensure that the product specifications under Article 4 of the Regulation are fulfilled, how can they be a technical regulation and not a conformity assessment procedure? AUS, EC*

54. The TBT Annex 1.1 definition of "technical regulation" includes, in addition to product characteristics, a document that lays down "related processes and production methods, including the applicable administrative provisions". Australia has argued³⁰ therefore that a document which does not stipulate mandatory product characteristics *per se* but lays down related processes that are mandatory is a "technical regulation" for the purposes of the TBT Agreement.

55. Having regard to the ordinary meaning of the words in their context, a mandatory requirement for the verification of compliance with product specifications to be carried out in a particular manner is a process related to product characteristics, and therefore corresponds to the TBT Annex 1.1 definition of a technical regulation. Thus, Articles 4 and 10 of Regulation No. 2081/92 read together constitute a technical regulation. The fact that these provisions read together address the issue of conformity does not change their nature as a technical regulation.

56. The EC argues that the difference between a technical regulation and a conformity assessment procedure is that one sets out product characteristics in abstract terms while the other is concerned

³⁰ Australia's First Written Submission, paragraphs 214-221.

with enforcement of such regulations in concrete cases.³¹ However, this interpretation does not correspond to the Appellate Body's interpretation of the term "technical regulation", nor the definition of that term in the TBT Agreement. It ignores the express terms of the TBT Annex 1.1 definition that a technical regulation may lay down "related processes and production methods, including the applicable administrative provisions". Moreover, a technical regulation lays down mandatory product characteristics applicable to identifiable products: this does not imply a regulation that is "abstract".³²

134. *The Panel takes note of the EC's response to Panel question No. 61, in particular regarding the Panel's terms of reference. However, does the EC contest that a "conformity assessment procedure" within the meaning of the TBT Agreement assesses conformity with a "technical regulation" or "standard" within the meaning of the TBT Agreement? If not, then can the EC complete its analysis and explain whether the inspection structures of Regulation (EC) No. 2081/92 assess conformity with each individual product specification referred to in Article 4 of the Regulation for a registered name, and that those specifications therefore would constitute a "technical regulation" within the meaning of the TBT Agreement? EC*

135. *The EC invokes Article XX(d) of GATT 1994 as a defence to the national treatment and MFN claims with respect to third country governments' verification and transmittal of applications, the identical GIs labelling requirement and inspection structures requirement. The EC alleges that these requirements are "necessary" to secure compliance with Regulation (EC) No. 2081/92 or to attain the legitimate objectives of the Regulation (EC rebuttal, paras 228-242, paras 263-265; EC second oral statement, paras 132-135):*

- (a) *what is the "measure" necessary to secure compliance with laws or regulations within the meaning of Article XX(d) in each case? What are the laws and regulations with which each one secures compliance? Are the "measures" separate from the laws or regulations?*
- (b) *can a measure that secures compliance with the "objectives" of a regulation, rather than a regulation itself, satisfy Article XX(d)?*
- (c) *in what sense does each of these measures "secure compliance" with laws or regulations? Are they enforcement mechanisms?*
- (d) *how are the laws and regulations with which each measure secures compliance not inconsistent with the GATT 1994? EC*

136. *With respect to the issue whether the measures are necessary to secure compliance, and without prejudice to the WTO-consistency of any alternative measures:*

- (a) *is the requirement that a third country government verify applications "necessary" to secure compliance in cases where an applicant itself is able to prove that a GI is protected in its country of origin, for example, by submitting an authenticated copy of a registration certificate?*
- (b) *is the requirement that a third country government verify applications "necessary" to secure compliance in cases where the third country has no registration system for GIs or where determinations that a GI is protected under unfair competition laws are only made by the judicial branch of government after litigation?*

³¹ EC response to Question 60 from the Panel following the first meeting with the Panel, paragraph 133.

³² *Ibid.*

- (c) *is the requirement that a third country government transmit applications "necessary" to secure compliance in cases where an applicant itself is able to send an application to the Commission?*
- (d) *why does a third country government need to verify whether the person objecting is resident or established in the third country? Why does the Commission need consult with the third country if the statement of objection is admissible? (EC response to Panel question No. 34).*
- (e) *is the identical GIs labelling requirement "necessary" to secure compliance in cases where there is already a clear distinction in practice in the usual presentation of the relevant products without clearly and visibly displaying the country of origin?*
- (f) *is the requirement that a third country government designate inspection authorities "necessary" to secure compliance in cases where the Commission could designate them in third countries (see US second oral statement, para. 53)?*
- (g) *is the requirement that a third country government declare that inspection structures are established on its territory "necessary" to secure compliance in cases where an applicant could arrange for independent inspection structures to be put in place in respect of a specific product (see US second oral statement, para. 53)?*
- (h) *how is the requirement that a private inspection body continues to be responsible vis-à-vis a third country government "necessary" to secure compliance in cases where the EC could conduct its own inspections of foreign GIs (see US second oral statement, para. 53)?*
- (i) *how is the requirement that the inspection authorities and/or private bodies have permanently at their disposal staff and resources necessary to ensure that all products bearing GIs comply with the product specifications in their registrations? (see Australia's rebuttal submission, para. 217). EC*

137. The Panel takes note of the EC's view that Article 14(3) of Regulation (EC) No. 2081/92 allows its authorities to refuse or invalidate the registration of any confusing GIs (EC first written submission, para. 286; EC rebuttal, para. 270). The complainants do not agree (US second written submission, para. 166 and Australia's second written submission, para. 109). The following examples have been referred to in this proceeding:

- (a) *BAYERISCHES BIER and BAVARIA and HØKER BAJER?*
- (b) *BUDEJOVICKÉ PIVO and BUDWEISER?*
- (c) *GORGONZOLA and CAMBOZOLA?*

Could these GIs be used in accordance with their registrations in a way that results in a likelihood of confusion with the respective trademark(s)? USA, AUS, EC

57. Yes.

58. Statements by the EC that Article 14.3 of Regulation No. 2081/92 would permit the EC to refuse registration of an EC-defined GI on the basis of a likelihood of confusion are not sustainable when considered in light of the wording, context and aims of the provision as required by the rules of

EC law (see response to question No. 149 below). Equally, the EC's statements that Article 14.3 of the Regulation permits the EC to invalidate registration of an EC-defined GI on the basis of a likelihood of confusion are unsustainable for the same reasons. Moreover, the EC has not sought to explain how a trademark owner would have standing to initiate legal action seeking invalidation of a registration of an EC-defined GI on the basis of a likelihood of confusion. These are particularly important issues given the express terms of Article 142 (now Article 159) of Regulation No. 40/94³³ and – in the case of the owner of a trademark registered in an EC Member State – the fact that Community law has primacy over EC Member State law in the event of a conflict.³⁴

59. Even if Article 14.3 of the Regulation did permit the EC to refuse or invalidate the registration of an EC-defined GI on the basis of a likelihood of confusion, it would still be possible for the registered EC-defined GIs "Bayersches Bier" and "Budejovické pivo" to be used in a way that results in a likelihood of confusion with the respective trademarks. Even within the EC Member States where the trademarks "Bavaria", "Høker Bajer" and "Budweiser" are registered, the protection afforded by Regulation No. 2081/92 – in particular Article 13.1 – makes clear that the owner of a registered trademark would not be able to prevent confusingly similar or identical use of a sign for similar or identical goods (see response to question No. 108 above). Moreover, even the EC's assertion that a trademark right holder could initiate infringement action is highly qualified: "... a court would be entitled to find, depending on the specific circumstances of each case, that the 'used sign' is different from the 'registered sign' and, therefore, not protected ..."³⁵ (*emphases added*). Even where those trademarks are not registered in other EC Member States, each could still enjoy a reputation in the territories of those other States – particularly in adjoining States – which the EC-defined GI right holders could exploit through confusingly similar use of translations of the EC-defined GIs. The EC has not explained how, in such situations, the owners of those trademarks would be assured of the rights of a registered trademark owner to initiate infringement action, or of the standing to initiate legal action under other legal provisions, such as labelling, misleading advertising or unfair competition laws.³⁶

60. In relation to the registered EC-defined GI "Gorgonzola", Australia understands that the trademark "Cambozola" was not considered to be a translation or a synonym of "Gorgonzola". Rather, it was considered to be a sign that deliberately sought to evoke "Gorgonzola", even though there was no likelihood of confusion.³⁷

138. *What is the meaning of the phrase "[w]ith due regard to Community law" in Article 14(2) of Regulation (EC) No. 2081/92? Which aspects of "Community law" are relevant? What is the meaning of the phrase "shall not affect [Regulation No. 2081/92] ... and in particular Article 14 thereof" in Article 142 of Regulation (EC) No. 40/94 on the Community trade mark? EC*

139. *The Panel takes note of the EC's view that the owner of a trademark may not prevent the right holders of a registered GI from using the registered name on the grounds that such name is confusing (EC second oral statement, para. 181). Please confirm that as long as a GI remains registered and is used in accordance with its registration, a trademark owner may not enforce his trademark rights against that use either under the Regulation on the Community trademark or the national trademark laws of the member States. What legal provisions prevent the trademark owners exercising their rights against persons using a GI in accordance with its registration? EC*

³³ Common Exhibit COMP-7.

³⁴ Australia's Closing Statement at the second substantive meeting with the Panel, referring to *Canada – Patent Term*, paragraph 92.

³⁵ EC's Second Written Submission, paragraph 302.

³⁶ Australia's Closing Statement at the second substantive meeting with the Panel, referring to *Canada – Patent Term*, paragraph 92.

³⁷ The Gorgonzola judgment, Exhibit EC-32, paragraph 26.

140. Under what provision of Regulation (EC) No. 2081/92 does the registration of a GI give the right holder a positive right to use the GI? How is that right delimited? Does it include translations of the protected term? For example, what uses do the registrations of the four cheese GIs referred to in Exhibit US-52 permit? How far does that positive right extend before it can be challenged under labelling and misleading advertising laws? **EC**

141. What is the legal basis for an action to invalidate a registration under Regulation (EC) No. 2081/92 on the grounds of confusion with a trademark? Is there any basis for an action to invalidate a GI registration in Regulation (EC) No. 40/94 on the Community trade mark? **EC**

142. The Panel takes note of the EC's view that the owner of a concurrent trademark could challenge a decision to register a GI inconsistently with Article 14(3) of Regulation (EC) No. 2081/92 even after the GI has been formally registered (EC response to Panel question No. 67; EC rebuttal paras. 270 and 296). If a trademark owner applied to invalidate a GI registration under Article 14(3):

- (a) is this a precondition to a trademark infringement action?
- (b) is there any time-limit on such an invalidation action?
- (c) is this possibility available where the GI is registered pursuant to an Act of Accession or otherwise without the normal application procedures?
- (d) how would such an application for invalidation relate to the cancellation procedure in Article 11a of the Regulation? Are the grounds for cancellation in Article 11a exhaustive? **EC**

143. The Panel takes note that the Council Decision to register BAYERISCHES BIER as a GI states that "[i]n view of the facts and information available, it was, however, considered that registration of [that name] was not liable to mislead the consumer as to the true identity of the product" (Exhibit EC-9, para. (3), cited in EC rebuttal, para. 287). Please detail what were the facts and information to which the Council referred in that Decision and how they were evaluated so that the Panel can see how the criteria in Article 14(3) were applied in that case. **EC**

144. The Panel takes note that Commission Regulation (EC) No. 1107/96 (set out in Exhibit COMP-3a), which effected the registration of many individual GIs, recites Article 14(2) and (3) of Regulation (EC) No. 2081/92. How were Article 14(2) and (3) taken into account in the registration of those GIs? **EC**

145. Please refer to Article 24.5 of the TRIPS Agreement and comment on the suggestion that:

- (a) the phrase "shall not prejudice eligibility for or the validity of the registration of a trademark" merely creates an exception to the obligations in Articles 22.3 and 23.2 to refuse or invalidate the registration of trademarks; and
- (b) the phrase "shall not prejudice ... the right to use a trademark" merely creates an exception to the obligations in Articles 22.2 and 23.1 to provide the legal means to prevent certain uses and does not create any positive right. **USA, AUS, EC**

61. Australia does not consider that TRIPS Article 24.5 can be said merely to create an exception to the obligations in TRIPS Article 22.2, 22.3, 23.1 and/or 23.2. As Australia has said previously,³⁸ TRIPS Article 24.5 – together with TRIPS Articles 22.3 and 23.2 – defines the boundary between a WTO Member's right to implement measures relating to TRIPS-defined GIs and its obligation to afford protection to pre-existing trademark rights. In establishing that boundary, TRIPS Article 24.5 in effect also creates a positive right: that the specified trademark rights, for example, those required to have been granted in accordance with Paris Article 4, cannot be adversely affected by measures adopted to implement Section 3, Part II, of the TRIPS Agreement.

62. Australia has previously noted the principle of territoriality that underpins the global regime for the protection of IP rights.³⁹ Moreover, that has been the case for more than 100 years. Thus, pursuant to the provisions of Paris Article 6(1), "[t]he conditions for the filing and registration of trademarks shall be determined in each country of the Union by its domestic legislation". It was, in effect, the norm for parties to the Paris Convention to provide for the registration of a misleading trademark – that is, a trademark that positively provoked an error on the part of the consumer as to the source undertaking of the good – to be refused or invalidated *ex officio*. At the same time, whether a specific sign was misleading was determined in relation to the territory of that Paris Convention party: a sign could have been determined to be misleading in relation to the territory of country A but not of country B, and *vice versa*. As a consequence, registration and use as a trademark of a sign recognised as a GI in country A could have been determined to be misleading, while registration and use as a trademark of that same sign in country B could have been determined not to be misleading.

63. The TRIPS Agreement reinforces that situation, establishing a general obligation on a WTO Member to provide – as a minimum standard⁴⁰ in its domestic legal regime covering trademarks and TRIPS-defined GIs – that:

- use of a trademark that contains or consists of a TRIPS-defined GI and which misleads the public as to the true place of origin constitutes a ground for refusal or invalidation of that trademark; or
- in the case of wines and spirits, use of a trademark that contains or consists of a TRIPS-defined GI for wines or spirits not originating in the place indicated by the GI constitutes grounds for refusal or invalidation of that trademark.

64. In any case, the clauses quoted in the question cannot be considered in isolation from the previous phrase "measures adopted to implement this Section". Moreover, that phrase – and TRIPS Article 24.5 more generally – cannot be considered in isolation from the rights expressly required to be granted to the owner of a registered trademark pursuant to TRIPS Article 16.1 as well as the fact that, in accordance with the principle of territoriality, a WTO Member may make available to the owner of a trademark on the basis of use the exclusive right to prevent confusingly similar or identical use of a sign. Nor can the phrase "measures adopted to implement this Section" – and TRIPS Article 24.5 more generally – be considered in isolation from the right expressly accorded under TRIPS Article 1.1 to a WTO Member to implement in its law more extensive protection than required by the TRIPS Agreement, provided that such protection does not contravene the provisions of the Agreement.

146. *The Panel takes note of the respective views of the EC and US on simultaneous exercise of rights with respect to use (EC rebuttal, para. 309 and US rebuttal, para. 119). Without prejudice to*

³⁸ See, for example, Australia's Written Rebuttal Submission, paragraph 96.

³⁹ See, for example, Australia's Second Oral Statement, paragraph 32.

⁴⁰ See heading of Part II of the TRIPS Agreement, covering both Trademarks and Geographical Indications.

the EC's views on Article 24.5, would there be any practical conflict between the rights to prevent certain uses conferred under Articles 16.1 and 22.2 of TRIPS? Under what circumstances is it impossible for, simultaneously:

- (a) *a trademark owner to prevent uses of a sign where such use would result in a likelihood of confusion (under Article 16.1), and*
- (b) *a right holder in a GI to prevent uses of an indication that are misleading with respect to the geographical origin of the product or which constitute unfair competition (under Article 22.2) except on the basis that the trademark is identical with, or similar to, the GI (under Article 24.5)? USA, AUS, EC*

65. Australia has several times set out its view during the course of this dispute⁴¹ that TRIPS Article 24.5 – together with TRIPS Articles 22.3 and 23.2 – defines the boundary between a WTO Member's right to implement measures relating to TRIPS-defined GIs and its obligation to afford protection to pre-existing trademark rights.

66. Thus, in Australia's view, the only relevance of TRIPS Article 22.2(a) to trademark rights would be in the context of the acquisition of new trademark rights. There would thus be no practical conflict in the application of TRIPS Articles 16.1 and 22.2(a).

67. Australia notes that a conflict between a trademark and a GI right usually arises because of the way in which the signs are being used and not because of their inherent nature. Thus, a trademark owner would be able to take action to prevent confusing use. In such a situation, a court would typically look at the nature and scope of any rights, the legitimate interests of the parties and the facts of the case. Regulation No. 2081/92 – far from facilitating such an assessment consistent with the rights required to be granted to the owner of a registered trademark under TRIPS Article 16.1 – prevents it irrespective of the circumstances.

147. Article 24.5 as finally agreed contains the phrase "measures adopted to implement this Section shall not prejudice eligibility for or the validity of the registration of a trademark, or the right to use a trademark". Please comment on the suggestion that during the Uruguay Round negotiations there was a disagreement as to whether the predecessor to this provision in the Brussels Draft should be made permissive rather than mandatory, and that the choice of this language was part of an effort to reach agreement on the issue of the mandatory / permissive nature of the provision. USA, AUS, EC

68. Australia is not in a position to comment in these dispute settlement proceedings on the proposition set out in this question.

69. DSU Article 3.2, however, requires that the provisions of TRIPS Article 24.5 – and indeed of the WTO Agreement as a whole – be clarified in dispute settlement proceedings in accordance with the customary rules of interpretation of public international law. Those interpretive rules have been found by the Appellate Body to be set out at Articles 31 and 32 of the Vienna Convention on the Law of Treaties.⁴² Australia notes that the Appellate Body found in *India – Patents* that: "[t]he duty of a treaty interpreter is to examine the words of the treaty to determine the intentions of the parties. This should be done in accordance with the principles of treaty interpretation set out in Article 31 of the Vienna Convention."⁴³ (*emphasis added*)

⁴¹ See, for example, Australia's Written Rebuttal Submission, paragraph 96.

⁴² See, for example, *Japan – Alcohol Taxes*, pages 10-12.

⁴³ *India – Patents*, paragraph 45.

148. What is the meaning of the phrase "where such use would result in a likelihood of confusion" as used in Article 16.1 of the TRIPS Agreement? How should such likelihood of confusion be assessed? How does the assessment differ from that under Article 14(3) of Regulation (EC) No. 2081/92? In particular:

- (a) how should the likelihood of confusion, and the liability to mislead the consumer, be assessed with respect to a mark to which rights have not been acquired on the basis of use?
- (b) as of what time should the likelihood of confusion, and the liability to mislead the consumer, be assessed?
- (c) are the trademark's reputation and renown and the length of time it has been used necessarily relevant to both analyses? **USA, AUS, EC**

70. The words "where such use would result in a likelihood of confusion" in TRIPS Article 16.1 have three key elements: "such use"; "would result"; and "a likelihood of confusion". Having regard to the normal rules of interpretation applicable to the WTO Agreement:

- "such use" refers to use of an identical or similar sign for goods or services which are identical or similar to those goods or services in respect of which the trademark is registered or in respect of which trademark rights have been acquired by use;
- "would result" means that such use will have the specified outcome or consequence if the use were to be allowed; and
- "a likelihood of confusion" means that there is a reasonable chance that consumers of the goods or services at issue would be puzzled or bewildered as to the source of the goods or services.

71. There are, in addition, two implicit premises: firstly, that there is – or is intended to be – active use of a trademark; and secondly, by the use of the words "would result", that the right to prevent confusingly similar or identical use of a sign necessarily encompasses pre-emptive action.

72. The likelihood of confusion is assessed having regard to the principle of territoriality. In general terms, it is assessed on the basis of a reasonable number of the relevant consuming public being caused to wonder as to the source of the products. Accordingly, in the context of the specific questions above (see also Australia's response to question No. 149 below):

- (a) In respect of trademarks to which rights have not been acquired on the basis of use, how rights have been acquired does not affect the assessment of the likelihood of confusion *per se*. It is the prospective use of the second sign that is the issue. Although substantial use and renown of the trademark mean that a wider range of uses by other parties may cause the consumer to wonder as to the source of a good, reputation is not a prerequisite for a likelihood of confusion or for the exercise of the rights required to be granted under TRIPS Article 16.1. It is possible to cause confusion with a registered trademark even where it has little use and no reputation. This can occur both by virtue of the signs themselves or by the way in which the signs are used and presented. Moreover, even where trademark rights have been acquired through registration, such trademarks are used: this post-acquisition use also forms the context of any likelihood of confusion.

Similarly, how rights have been acquired does not affect the assessment of the liability to mislead the consumer. On the other hand, some degree of reputation would normally be required if a consumer is to be provoked into error in a purchase.

Moreover, having regard to its wording, context and aim, Article 14.3 of Regulation No. 2081/92 is premised on there being a distinction between confusing and misleading use.

- (b) The likelihood of confusion and the liability to mislead the consumer may need to be assessed at several stages.

An initial assessment must be made as at the date of application for registration of a trademark. Further, this assessment should be informed – in accordance with a WTO Member's law – by the evidentiary presumption of a likelihood of confusion required to be granted to the owner of a registered trademark for use of an identical sign for identical goods under TRIPS Article 16.1. Where the second application relates to the registration of a GI, the initial assessment must be made as at the date of application for registration of the GI, again informed by the evidentiary presumption required to be granted to the owner of a registered trademark.

Subsequently, an assessment can be made at the time of use. An assessment at this time typically considers not only the later sign, but the nature of its use. It may be that the sign in and of itself would not result in a likelihood of confusion or be liable to mislead the consumer, but that over time the manner in which the sign is presented and used would have one or other of those outcomes.

The rights required to be granted under TRIPS Article 16.1 do not limit the rights of the owner of a registered trademark to be able to prevent confusing use of a sign. Those rights extend to all such use, and include use of an identical sign for identical goods (presumed to be confusing), of a misleading sign, or of a sign intended to deceive. Further, those rights apply both at the time of the initial application for registration of a later trademark or GI and at later stages of use, including in the case of changed circumstances which would result in a likelihood of confusion.

- (c) The reputation and renown and the length of time a trademark has been used are not necessarily relevant to the assessment of a likelihood of confusion.

TRIPS Article 16.1 states that a likelihood of confusion is to be presumed in the case of use of an identical sign for an identical good. Clearly, reputation and renown and the length of time a trademark has been used are not relevant in such a situation.

Of course, in reality, the likelihood of confusion is a continuum. Where there is extensive use, reputation and/or renown and the signs are similar, these are relevant factors. However, it is possible to find that confusion is likely even though there is very little use and very little reputation and no renown. Equally, it is possible that renown can lessen the likelihood of confusion. Discerning consumers in a market where significant care in purchasing is the norm – for example, when purchasing a vehicle – would normally be more aware of slight differences in a sign.

On the other hand, where the assessment concerns whether a sign would be liable to mislead the consumer (as is required by Article 14.3 of Regulation No. 2081/92 in respect of an EC-defined GI), such factors as reputation, renown and extent of use would normally be highly relevant.

149. What are the differences between "confusion" and "misleads" as used in Articles 16.1 and 22.2 of the TRIPS Agreement, respectively? Do they have any bearing on the misleading standard under Article 14(3) of Regulation (EC) No. 2081/92? **USA, AUS, EC**

73. Having regard to customary rules of interpretation:

- the ordinary meanings of "confusion" include "embarrassment", "perplexity", "disorder", and "the quality of being confused, indistinct or obscure";⁴⁴ and
- the ordinary meanings of "misleading" are "[t]hat leads someone astray, that causes error; imprecise, confusing, deceptive".⁴⁵

74. "Confusion" in the sense of TRIPS Article 16.1 is use which would cause perplexity or bewilderment on the part of the consumer as to the source undertaking of the good. In other words, "confusion" concerns use which would cause the consumer to wonder about the source undertaking of the good.⁴⁶

75. On the other hand, although "misleading" might in some contexts be synonymous with "confus[ing]", the wording of TRIPS Article 22.2 – use which misleads the public as to the geographical origin of the good – makes clear that the ordinary meaning of "misleading" in the context of that provision is use which "leads someone astray or that causes error". In other words, misleading use in the sense of TRIPS Article 22.2 is use which positively provokes an error on the part of a consumer as to the geographical origin of the good.⁴⁷

76. The wording, context and aim of Article 14.3 of Regulation No. 2081/92 confirm that "misleading" in the sense of Article 14.3 is similar to the meaning of "misleading" in the sense of TRIPS Article 22.2. Article 14.3 of the Regulation refers to a situation where "registration is liable to mislead the consumer as to the true identity of the product". In other words, "misleading" is used in the sense of Article 14.3 of causing the consumer to mistake the true identity of the product.

77. Indeed, the words "confusion" and "misleading" have been used throughout Regulation No. 2081/92 in the same sense as they have been used in TRIPS Articles 16.1 and 22.2. The word "confusion" is used in Articles 6.6, 7.5(b), 12.2, 12b.3 and 12d.3 of the Regulation in the sense of wondering about the source of the good. On the other hand, the word "misleading" is used throughout the Regulation – in Articles 3.2, 6.6, 13.1(c), 13.1(d) and 14.3 – in the sense of an action which positively provokes an error on the part of a consumer.

78. Further, this distinction is shown even more clearly in the French version of the Regulation.⁴⁸ For every occurrence of "confusion" in the English version, the word "confusion" is used in the French version. On the other hand, for every occurrence of "mislead" or "misleading" in the English version of the Regulation, the French version uses the language: "induire le [public/consommateur] en erreur quant à la véritable origine du produit" (Articles 3.2, 13.1(d) and 14.3); "donne à penser à tort au public que les produits sont originaires d'un autre territoire" (Article 6.6); "induire en erreur les consommateurs" (Article 6.6); and "fallacieuse quant à la provenance, l'origine" (Article 13.1(c)).

⁴⁴ OED, Vol.1, page 478.

⁴⁵ OED, Vol.1, page 1791.

⁴⁶ Australia's Written Rebuttal Submission, paragraph 104.

⁴⁷ *Ibid.*

⁴⁸ Common Exhibit COMP-1.c.

79. Thus, notwithstanding EC arguments that Article 14.3 of Regulation No. 2081/92 would permit the registration of an EC-defined GI to be refused on the basis of a likelihood of confusion,⁴⁹ such an interpretation would not be sustainable having regard to the rules of interpretation of EC law. The word "misleading" in Article 14.3 of the Regulation establishes a stricter evidentiary standard than "confusion" as "confusion" is used elsewhere in the Regulation, in the same way that the word "misleading" in TRIPS Article 22.2 establishes a stricter evidentiary standard than the word "confusion" in TRIPS Article 16.1.

150. *The United States refers to the possibility of informing "consumers about the origin of a product and its characteristics through the use of descriptive terms in a non-trademark sense without affirmatively confusing the consumer about the source of goods" (US response to Panel question No. 75(b)). Would the addition of such a requirement in Article 14 of Regulation (EC) No. 2081/92 in respect of either prior trademarks, later geographical indications, or both, satisfy the requirements of Article 16.1 of the TRIPS Agreement in the view of the United States? Or does the United States object to any later protection of a geographical indication that is confusingly similar to a prior trademark? USA*

151. *Please comment on the suggestion that Article 24.3 of the TRIPS Agreement was inserted in the draft text in November 1991 to make it clear that the exceptions provisions in Section 3 of Part II could not be used as a justification for diminishing a Member's pre-existing protection of GIs. USA, AUS, EC*

80. As in the case of Question 147 above, Australia is not in a position to comment in these dispute settlement proceedings on the proposition set out in this question.

81. Again as in the case of Question 147 above, Australia notes the findings of the Appellate Body that "[t]he duty of a treaty interpreter is to examine the words of the treaty to determine the intentions of the parties".⁵⁰ (*emphasis added*)

152. *If a Member is obliged to diminish the pre-existing protection of GIs in order to allow trademark owners to exercise their rights under Article 16.1 as against GIs, does that obligation not arise under Article 16.1 rather than "[i]n implementing this Section", as used in Article 24.3? EC*

153. *Without prejudice to the EC's view that a GI confusingly similar to a trademark will not be registered, if one were registered nevertheless, in what way would this exception be "limited"? In particular, could the rights of the GI owner be limited in such a way as to minimize the likelihood of confusion? EC*

154. *What, specifically, are "the legitimate interests of the owner of the trademark and of third parties" within the meaning of Article 17? How can legitimate interests be "taken into account" under Article 17 where they conflict with other relevant interests? USA, AUS, EC*

82. As set out in TRIPS Article 15.1, the purpose of a trademark is to distinguish the goods or services of one undertaking from those of other undertakings. A trademark serves to identify the source of a good or service, thus enabling consumers to be informed of the quality of that good or service having regard to its source. Therein lies the economic value of the trademark to its owner.

83. It is a legitimate interest of a trademark owner to maintain the economic value of the private property right in the trademark by maintaining the trademark's capacity to distinguish the owner's goods from the goods of others. A trademark owner does this through the exclusive right to prevent

⁴⁹ See, for example, the EC's Second Written Submission, paragraph 285.

⁵⁰ *India – Patents*, paragraph 45.

confusingly similar or identical use of a sign for similar or identical goods or services required to be granted to that trademark owner by a WTO Member under TRIPS Article 16.1. Any dilution of this capability damages the legitimate interest of the trademark owner. Confusing or misleading use of a sign may deprive the trademark owner of income. Moreover, confusing or misleading use of a sign may also result in a diminution of the reputation of a trademark if the infringing use involves goods or services of lesser quality. TRIPS Article 17 permits uses of signs as an exception to TRIPS Article 16.1 only where there is a small diminution of the capacity to distinguish a trademark owner's goods or services from those of other undertakings.⁵¹

84. Third parties within the meaning of TRIPS Article 17 would normally include consumers and other traders. Consumers have a legitimate interest in being able to purchase products they intended to purchase rather than products of which they have no knowledge. Other traders have a legitimate interest in being able to use signs that they need to use in order to describe or present their goods or services in the marketplace. Thus, TRIPS Article 17 expressly refers to fair use of descriptive terms. It is important to note, however, that "fair use of descriptive terms" does not encompass all use of a sign or class of descriptive terms: the use of the word "fair" expressly limits the manner in which a "descriptive term" may be used as an exception.

85. The legitimate interests of trademark owners can be "take[n] account of" within the meaning of TRIPS Article 17 by ensuring that such owners are able to prevent use that undermines the economic value of the trademark right. In particular, the legitimate interests of trademark owners require that they be able to prevent use that undermines the capacity of the sign to serve as a trademark and to prevent use that undermines the capacity of the sign to distinguish the goods or services of the owner from those of other undertakings. "Fair use of descriptive terms" cannot include use which does not take account of these legitimate interests of trademark owners.

86. The legitimate interests of others can be "take[n] account of" within the meaning of TRIPS Article 17 by ensuring that consumers are not given cause to wonder about the source of a good or service and that other traders are able to use terms they need to use to describe or present their goods or services. The latter requirement does not, however, mean that other traders are able to use a sign freely in the face of an existing trademark. It must be seen in terms of the manner in which other traders need to use the sign at issue. It is reasonable and fair for people to be able to use their actual address, or to be able to say "made in Australia". On the other hand, it is not reasonable or fair to use a term in a way that has a signifying function, rather than a purely descriptive one, if that use undermines the capacity of a trademark to function as a trademark, thus undermining its economic value. This is true even if the term has some descriptive connotation. Thus, TRIPS Article 17 balances the requirement of providing other traders with the terms they need to use with the requirement of ensuring that a trademark is able to distinguish the goods or services of one undertaking from those of other undertakings.

155. *Does an exception to the exclusive right in Article 16.1 presuppose a certain degree of confusion? Does "fair use of descriptive terms" within the meaning of Article 17 include the use of a trademark to indicate source? USA, AUS*

87. TRIPS Article 17 permits a WTO Member to provide "limited exceptions" – or small diminutions – to the rights required to be granted under TRIPS Article 16.1.⁵² Within those confines, an exception to the scope of the rights required to be conferred under TRIPS Article 16.1 presupposes the possibility of a minimal degree of confusion.

⁵¹ Australia's Written Rebuttal Submission, paragraphs 121-127.

⁵² Australia's Written Rebuttal Submission, paragraphs 121-127.

88. Further, and in any case, the essence of a TRIPS-defined GI – of which EC-defined GIs are generally a sub-set – is that it indicates a causative connection between a particular geographic origin and the nature, reputation or some other characteristic of the product. If a TRIPS-defined GI were purely descriptive, there would not be any need – or indeed basis – for an intellectual property right, and thus for Section 3, Part II, of the TRIPS Agreement.⁵³

89. In relation to the second question above, an indication of source within the meaning of the Paris Convention describes the geographic origin of the product. Consistent with the express terms of TRIPS Article 15.1, a trademark does not do this: rather, it functions as a means of distinguishing the goods or services of one undertaking from those of other undertakings.

90. It is possible for a trademark to denote source as a secondary effect. Consider, for example, a hypothetical trademark "Sydney Monarch". Such a trademark could be distinctive for a whole range of goods or services, but consumers would normally assume some connection with Sydney. Certainly, "Sydney" is an indication of source and should not be used in a way to mislead. However, it would not be true to say that the whole trademark "Sydney Monarch" was being used primarily either as an indication of source (within the meaning of the Paris Convention) or as a descriptive term. Rather, the trademark must be taken as a whole and would be seen as functioning to distinguish the goods of one undertaking from those of others.

91. Equally, if there was already a trademark "Monarch" for similar or identical goods or services, a decision to allow the use of "Sydney Monarch" as a trademark (on the pretext that it was descriptive) would contravene each of the tests of TRIPS Article 17. It would not constitute a limited exception, because it would attack the essential distinguishing feature of the trademark "Monarch", thus undermining its economic value. Nor would allowing "Sydney Monarch" to be used in this context constitute "fair use of a descriptive term": it reproduces the essential distinguishing feature of another trademark. Thus, although the word "Sydney" in such a trademark may have a geographic connotation, its use is not fundamentally as a descriptive term, and allowing use of such a trademark would not take account of the legitimate interests of the owner of the trademark "Monarch" and of third parties.

92. Trademarks are not merely descriptive, and cannot be considered "descriptive terms" within the meaning of TRIPS Article 17. In the same way, and for the same reasons, use of a GI cannot be said to be merely use of an indication of source within the meaning of the Paris Convention or to be use of a descriptive term within the meaning of TRIPS Article 17.

156. Why do the requirements in Article 17 differ from those in Articles 13, 26.2 and 30 of the TRIPS Agreement? How should their interpretation reflect those differences? USA, AUS, EC

93. Australia notes that the nature of IP rights other than trademarks and GIs has not been the subject of detailed consideration in this dispute. Moreover, it is the EC that has argued that the differences in language between TRIPS Articles 13, 17 26.2 and 30 have significance. The EC therefore has the burden of proof in establishing a *prima facie* case to this effect, which Australia submits it has not done. However, should the Panel consider that the EC has met its burden of proof, Australia submits the following comments.

94. The differences in the texts of TRIPS Articles 13 concerning copyright and related rights, 17 concerning trademarks, 26.2 concerning industrial designs and 30 concerning patents reflect differences in the nature of each of those rights. Rights concerning copyright material include rights in relation to authoring, copying, using, adapting, arranging, altering and importing.⁵⁴ Rights

⁵³ Australia's Second Oral Statement, paragraphs 31-36.

⁵⁴ Articles 9-15 of the Berne Convention.

concerning industrial designs include rights in relation to making, selling or importing.⁵⁵ Rights concerning patents include rights in relation to making, using, offering for sale, selling and/or importing.

95. The most immediate difference between the texts of the four provisions is that TRIPS Articles 13, 26.2 and 30 refer to "limitations or exceptions" or "limited exceptions" that do not "conflict with [a/the] normal exploitation" of the protected right or "unreasonably prejudice" the legitimate interests of concerned parties. Clearly, an exception must relate to the nature of the right. "Exploitation" is relevantly defined as the action or practice of utilising or taking advantage of something for one's own ends.⁵⁶ The word "exploitation" was clearly intended to reflect the broad nature of the rights required to be granted in relation to copyright, industrial designs and patents. Having regard to the ordinary meanings of the words,⁵⁷ "unreasonably prejudice" should be considered in the sense of exceptions that unfairly affect the interests of concerned parties. Again, the words clearly reflect the broad nature of the rights required to be granted in relation to those other IP rights.

96. Under the TRIPS Agreement, however, a trademark does not attract the same spectrum of rights as those other categories of IP rights: it attracts only the exclusive right to prevent confusingly similar or identical use for similar or identical goods. "Use" is relevantly defined – having regard to the context of Section 2, Part II, of the TRIPS Agreement generally and of TRIPS Article 15.1 in particular – in terms of the purpose served by the thing used.⁵⁸ A trademark is used for the purpose of distinguishing the goods or services of one undertaking from those of other undertakings. A trademark may be used for that purpose in respect of a very few or a very large number of goods or services emanating from a single undertaking.⁵⁹

97. Thus, the nature of the right required to be granted by the TRIPS Agreement in respect of a trademark is very different to the other rights. Moreover, the provisions of TRIPS Article 17 need to be interpreted having full regard to the nature of the right actually accorded to a trademark. Thus, any exception must be limited. For example, "use of descriptive terms" must be "fair" having regard to the nature of the right required to be granted by Article 16.1. The legitimate interest of a trademark owner clearly includes the ability to use the sign as a trademark – that is, that the sign be able to distinguish the owner's goods or services from those of other undertakings. To this end, a small level of confusingly similar use of a sign could only be justified in situations where the legitimate interests of the trademark owner and of other parties could not reasonably be met in any other way.

98. Nonetheless, TRIPS Article 17 shares a common structure and purpose with TRIPS Articles 13, 26.2 and 30 and should be interpreted accordingly.⁶⁰ Each allows a WTO Member to provide limited exceptions – that is, small diminutions – to the particular rights required to be conferred for each category of IP right, while providing that those exceptions not undermine the essential nature of the IP right and give due weight to legitimate competing interests. The wording of TRIPS Article 17 differs from those of the analogous provisions for other categories of IP rights in

⁵⁵ TRIPS Article 26.1.

⁵⁶ *OED*, Vol.1, pages 888 and 889, definitions of "exploit" and "exploitation" respectively.

⁵⁷ *OED*, Vol.2, relevantly defines "unreasonably" and "unreasonable" in the sense of "going beyond what is reasonably or equitable (page 3503) and "prejudice" as "[h]arm or injury to a person or thing that may result from a judgement or action, esp. one in which his or her rights are disregarded".

⁵⁸ *OED*, Vol.2, page 3531, definition of "use" as a noun, section IV.

⁵⁹ Australia notes too that differences in the nature of the various categories of IP rights are reflected as well in the varying nature of the provisions of the TRIPS Agreement concerning compulsory licensing of IP rights. TRIPS Article 21 expressly prohibits compulsory licensing of trademarks, while TRIPS Article 31 recognises the possibility in respect of patents. The TRIPS Agreement is silent on the issue, however, in respect of copyright and industrial designs, as well as in respect of GIs.

⁶⁰ See Australia's Written Rebuttal Submission, paragraphs 118-127.

recognition of the differing nature of a trademark right. However, those differences do not change the essential similarities of the provision. In particular, it is not consistent with TRIPS Article 17 to allow exceptions that are neither limited nor fair, or which fundamentally obviate the ability of a trademark to distinguish the goods or services of one undertaking from those of other undertakings.

157. *The United States alleges that the EC does not provide legal means required under Article 22 of the TRIPS Agreement (see United States first written submission, paras 177-178; US rebuttal, para. 213). Do you claim that the EC fails to provide a legal means to prevent uses of indications in accordance with Article 22.2 because of alleged inadequacies in Regulation (EC) No. 2081/92 alone? Or do you allege that measures outside the Panel's terms of reference are also inadequate to fulfil that obligation? If the latter, on what evidence do you rely? USA*

158. *The Panel notes the United States' submission that the Panel should find that "the EC GI Regulation" is inconsistent with Articles 16.1 and 22.2 of the TRIPS Agreement (US rebuttal, paras 166 and 217, respectively). However, why would it be appropriate to conclude that a single measure, rather than a Member, fails to comply with each obligation? If the EC or its member States adopted other measures which complied with Articles 16.1 and 22.2, could they fill the gaps in the alleged inconsistencies in Regulation (EC) No. 2081/92? USA*

159. *May protection for designations of origin and geographical indications now be afforded in the EC only within the framework laid down by Regulation (EC) No. 2081/92? To what extent does the EC implement its obligations under Article 22.2 of the TRIPS Agreement through Regulation (EC) No. 2081/92 and to what extent through other measures (see EC first written submission, paras 433 and 434)? Are the other measures cited by the EC alone sufficient to fulfil its obligations under Article 22.2? EC*

160. *To what extent does the EC implement its obligations under Article 22.2 of the TRIPS Agreement through Regulation (EC) No. 2081/92 and to what extent through other measures? Does the EC believe that the complainants should prove a negative, i.e. that no legal means required under Article 22.2 are available? Can a respondent simply argue that other measures, outside the Panel's terms of reference, fulfil an obligation, without proof of how those other measures fulfil that obligation? EC*

161. *Australia refers to Article 10bis(1) of the Paris Convention, "as incorporated by TRIPS Article 2.1" (Australia's first written submission, para. 75, also para. 268) and also submits that "Paris Article 10bis.1 deals with the issue of unfair competition, which is not otherwise dealt with in the TRIPS Agreement except 'in respect of geographical indications' in TRIPS Article 22.2" (response to Panel question No. 82). Please clarify whether Australia seeks a finding that the alleged inconsistency with Article 10bis is a violation of Article 2.1 or 22.2 of the TRIPS Agreement or both. AUS*

99. Australia makes two distinct claims involving Paris Article 10bis. Firstly, Australia claims that – in respect of the registration of an EC-defined GI – the EC measure diminishes the legal protection for trademarks, contrary to the EC's obligation pursuant to TRIPS Article 2.1 to comply with Paris Article 10bis. Secondly, Australia claims that – in respect of the registration of an EC-defined GI – the EC does not provide the legal means for interested parties to prevent use which constitutes an act of unfair competition within the meaning of Paris Article 10bis, contrary to TRIPS Article 22.2.

100. Australia confirms that it seeks distinct findings in respect of each of these claims.

162. *How did Australia's reference to Article 24.5 of the TRIPS Agreement in its request for establishment of a panel put the EC on notice that Australia challenged Regulation (EC) No. 2081/92*

in respect of Article 24.5 in conjunction with Article 4 of the Paris Convention (1967) as incorporated by Article 2.1 of the TRIPS Agreement? In Australia's view, to what extent could a respondent begin preparing its defence of this claim without knowing that it was based on the right of priority? AUS

101. In accordance with TRIPS Article 24.5, the EC has an express obligation not to prejudice the eligibility for registration of a trademark on the basis that the trademark is identical with, or similar to, a GI. Separately, the EC has an express obligation to comply with the requirement of Paris Article 4 in respect of the right of priority for applications for registration of a trademark in accordance with TRIPS Article 2.1.

102. Australia's panel establishment request set out that Australia's claim was that the EC measure diminishes the legal protection for trademarks under the TRIPS Agreement, contrary *inter alia* to Article 24.5 of that Agreement. The obligation not to prejudice eligibility for the registration of a trademark is plain, even on a cursory reading of TRIPS Article 24.5. Given the express obligation on the EC to comply with Paris Article 4, it was clear that non-compliance with that provision would constitute prejudice to the eligibility for registration of a trademark, thereby diminishing the legal protection for trademarks under the TRIPS Agreement and thus falling within the terms of Australia's panel establishment request.

103. Australia remains conscious that DSU Article 6.2 requires that a complaining party's request for the establishment of a panel *inter alia* identify the specific measures at issue and provide a brief summary of the legal basis of the complaint sufficient to present the problem clearly, to enable the responding party to being preparing its defence. At the same time, however, Australia is of the view that some caution is needed in interpreting and applying this provision: it should not be interpreted and applied in such a way as to require that a complaining party have fully developed its argumentation for a dispute – in effect, to have prepared its first written submission – before lodging its panel establishment request.

163. *The Panel takes note of Australia's and the EC's respective views on the applicability of Article 70.1 of the TRIPS Agreement to individual GI registrations (Australia's response to Panel question No. 90; EC rebuttal, para. 202). On 31 December 1995, at what stage of the procedure under the former Article 15 were the GIs later registered under Article 17? Did any individual GIs registered under Article 6 have an objection period that expired prior to 1 January 1996? EC*

164. *In what way are the objectives and principles set out in Articles 7 and 8 of the TRIPS Agreement, and the considerations recited in the first paragraph of its preamble, relevant to the interpretation of the provisions of that agreement at issue in this dispute? USA, AUS, EC*

104. As Australia explained in response to question No. 103 above, the TRIPS Agreement provides that a WTO Member may incorporate legitimate public policy objectives and principles within its national measures to implement an IP right. However, once a WTO Member adopts measures for the protection of a category of IP right, those measures apply equally to its own nationals and to the nationals of all other WTO Members.

ANNEX A-9

COMMENTS OF AUSTRALIA ON THE EUROPEAN COMMUNITIES' REPLIES TO QUESTIONS POSED BY THE PANEL AND TO QUESTIONS POSED BY AUSTRALIA FOLLOWING THE SECOND SUBSTANTIVE MEETING

(2 September 2004)

INTRODUCTION

1. These comments supplement Australia's claims and arguments in this dispute, addressing issues newly raised in the EC's responses to questions from the Panel following the second substantive meeting with the parties. They should be read together with Australia's earlier submissions, statements and responses to questions. Australia's silence in relation to any issue raised in the EC's responses to questions should not be construed as signifying Australian agreement to the arguments made by the EC.

2. In its responses to the Questions from the Panel following the second substantive meeting, the EC has submitted as Exhibits extracts from the trademark legislation of a number of WTO Members not party to this dispute.¹ The EC itself has said: "... 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".²

3. Notwithstanding that the EC has raised the provisions of other WTO Members' trademark law and thus has the burden of proof – according to its own argument – of establishing the meaning of those provisions within the legal order of the WTO Member in question, it has not made any attempt to do so.

4. Australia requests that those Exhibits be excluded from the Panel's consideration of the EC's responses to Question Nos. 139 and 153.³

QUESTION NO. 96

5. The EC states that "... where an institution has adopted rules which are not legally binding, it may nevertheless not depart from such rules without giving the reasons which have led it to do so".⁴

¹ Exhibits EC-93 (re Canada's Trade Mark Law), EC-94 (re Hong Kong's Trade Marks Ordinance), EC-95 (re India's Trade Marks Act), EC-96 (re New Zealand's Trade Marks Act), EC-97 (re Singapore's Trade Marks Act), EC-98 (re South Africa's Trade Marks Law), EC-104 (re Japan's Trademark Law), EC-105 (re Romania's Trade Marks Act) and EC-106 (re Iceland's Trade Marks Act).

In addition, Australia has already requested the exclusion of Exhibit EC-80 (re New Zealand legislation) – as well as Exhibit EC-73 (re Canadian legislation) – in its Second Oral Statement, paragraph 104. If, however, the Panel were to find that Exhibit EC-80 was admissible as an Exhibit to the EC's Second Oral Statement, Australia requests that – in any case – it be excluded from the Panel's consideration of the EC's answer to Question No. 153 as the EC has not established the meaning of that provision within New Zealand's legal order.

² EC Response to Question No. 1, paragraph 6.

³ See also Australia's comment on the EC Responses to Question Nos. 137 and 139 below for a clear example of the dangers of considering provisions of other WTO Members' trademark laws in isolation.

⁴ EC Response to Question No. 96, paragraph 9.

The implicit – but nevertheless unambiguous – premise of that statement is that an institution may depart from the rules it has adopted provided it gives reasons for doing so.

6. Australia notes too that the Guide to Regulation No. 2081/92 is in the nature of administrative guidance.⁵ In *India – Patents*, the Appellate Body examined an analogous situation involving administrative instructions that seemed to contradict mandatory provisions of the relevant legislation. However, the Appellate Body in that dispute was not persuaded that administrative instructions would prevail over the contradictory mandatory provisions of the Act at issue in the event of a legal challenge nor, as a consequence, that the administrative instructions provided a sound legal basis to preserve the IP rights at issue.⁶

7. Further, Australia notes that should the Panel consider that related implementing and enforcement actions adopted on or after 2 October 2003 are outside the Panel's terms of reference as argued by the EC, so too would be the Guide and the EC's 16 June 2004 TRIPS Council statement.

QUESTION NO. 97

8. Australia notes that the EC's response confusingly combines the situation concerning GIs as defined in TRIPS Article 22.1 ("TRIPS-defined GIs") with the situation concerning "designations of origin" and "geographical indications" as defined in Article 2.2 of Regulation No. 2081/92 ("EC-defined GIs").

9. Further, the EC's response fails to make clear the full context of its initial response to the question from New Zealand. The paragraph quoted by the EC was preceded by the following paragraphs:

Council Regulation 2081/92/EEC sets out the procedure for the registration of geographical indications in the Community territory. The procedure contained in Articles 5, 6 and 7 is as follows:

1. A group of producers must submit a detailed application for registration to the competent authority of the Member State, in accordance with the conditions specified in the Regulation.
2. If the application is considered to be in conformity with the Regulation, it shall be referred to the Community authorities, who will verify that the conditions of the Regulation have been formally satisfied and will publish the application in the *Official Journal* to allow other parties the opportunity to raise objections.
3. If an objection is raised, the final decision on registration is taken by the Commission and Member States.

10. Thus, the reference to "the procedure followed by Community producers as outlined above ..., in accordance with the principle of national treatment" in the paragraph cited by the EC was in fact the procedure to be followed by "producers" of other WTO Members who wished to register an EC-defined GI from within the EC. The "principle of national treatment" referred to by the EC was in fact a reference to the principle of national treatment of nationals under the TRIPS Agreement.

⁵ The EC itself refers to the relevant section of the guide as "providing guidance to interested governments and applicants" (EC Response to Question No. 96, paragraph 7).

⁶ *India – Patent Protection for Pharmaceutical and Agricultural Chemical Products*, Report of the Appellate Body, WT/DS50/AB/R, paragraphs 69-70.

11. Moreover, as the response to the question from India cited by the EC⁷ makes clear:

"... in general, conditions provided in Article 12 of *[the Regulation]* are only required when a bilateral agreement is concluded between the EC and a WTO Member. This means that it only occurs when two parties voluntarily wish higher level of protection ("ex officio") than this provided under the TRIPS Agreement. ..."

12. In other words, the EC stated that if another WTO Member wishes to benefit from the higher level of protection made available under Regulation No. 2081/92, a bilateral agreement addressing the conditions provided for in Article 12 of the Regulation is required.

13. Further, the EC's response again fails to make clear the full context of the subsequent response to the follow up question from India. The extract quoted by the EC was preceded by the following statements:

As a preliminary remark, the Community would like to underline that the protection of geographical indications foreseen in Article 22.2 of the TRIPS agreement is provided for in Council Directive 79/112/EEC *[concerning food labelling]* and Council Directive 84/450/EEC *[concerning misleading advertising]*. ...

The protection foreseen by these provisions under Community law and Member States' law is applicable to any WTO Member citizen without discrimination.

(a) On the one hand, Council Regulation 2081/92/EEC provides for:

- (i) the "reputation" which is attributable to the name (geographical origin) (Article 2); and
- (ii) the product (which is covered by the geographical name) which complies with a specification (Article 4).

This means that the Regulation has established a difference between the designation and the product.

Both conditions are cumulative.

On the other hand, to comply with a specification, it is important to guarantee a continuity and homogeneity of the product's characteristics which are necessary as a reference for the inspection bodies. This is essential also for the consumer.

As a matter of fact, a geographical indication requires anyway that the product which is covered presents a defined description. If these conditions must be complied with by the producers established in the EC to obtain an *[EC-defined GI]*, they must also be complied with by the third country nationals, should they wish to obtain the same protection.

(b) ...

14. Thus, the clear message being conveyed by the EC when the full answer is considered in context was that Regulation No. 2081/92 was not concerned with the protection of TRIPS-defined GIs

⁷ EC Response to Question No. 97, paragraph 14.

in the sense of TRIPS Article 22.2. Rather, the Regulation deals with products which have both a reputation and a product specification in the sense of Article 4 of the Regulation. If another WTO Member wishes to take advantage of the higher level of protection potentially available for such products under the Regulation, then that WTO Member must have in place a system equivalent to that in place in the EC, including in relation to the product specification and the inspection structure. The EC could not allow any other system because, if it did, EC producers would be discriminated against.

QUESTION NO. 101

15. The EC says it "does not consider the present case requires any comparison between nationals".⁸ The EC has not sought to explain how its view is consistent with the express requirement of TRIPS Article 1.3, which provides that "Members shall accord the treatment provided for in this Agreement to the nationals of other Members".

QUESTION NOS. 103 AND 113

16. In responding to Question No. 103, the EC does not accept the express recognition of the applicability of the basic principles of GATT 1994 in the preamble to the TRIPS Agreement, or the finding of the Appellate Body in *US – Section 211 Appropriations Act* relating to the usefulness of the jurisprudence on GATT Article III:4 in interpreting the TRIPS national treatment obligation.⁹ Yet in responding to Question No. 113, the EC nonetheless relies on a basic GATT principle and GATT jurisprudence in support of its argument.

17. Further, the EC now seems to be suggesting that GATT Article XX(d) could also excuse a breach of the TRIPS Agreement.¹⁰ However, the EC has not even attempted to meet its burden of proof in relation to the potential applicability of GATT Article XX(d) to the TRIPS Agreement.

QUESTION NO. 106

18. The examples referred to by the EC at paragraph 54 both involve EC nationals.

QUESTION NOS. 114 AND 116

19. In responding to Question No. 116, the EC says¹¹ that because:

- (a) all WTO Members are obliged to provide protection to TRIPS-defined GIs in accordance with TRIPS Article 22;
- (b) the EC is not obliged to provide protection to TRIPS-defined GIs not protected in their country of origin in accordance with TRIPS Article 24.9; and
- (c) any WTO Member should be able to state whether it protects a "GI" for which protection is sought in the EC;

then a WTO Member cannot:

⁸ EC Response to Question No. 101, paragraph 22.

⁹ *United States – Section 211 Omnibus Appropriations Act of 1998*, Report of the Appellate Body, WT/DS176/AB/R, paragraph 242.

¹⁰ EC Response to Question No. 103, paragraph 36.

¹¹ EC Response to Question No. 116(a), paragraph 74.

- (1) argue that it does not have "authority" to state whether a "GI" is protected in its territory; and
- (2) at the same time claim that this "GI" should be protected in the EC.

20. Australia has not claimed in this dispute that the EC is not in compliance with its obligations under the TRIPS Agreement because a TRIPS-defined GI cannot be registered under Regulation No. 2081/92 if that TRIPS-defined GI does not also meet the definition of an EC-defined GI under Article 2.2 of that Regulation. From the beginning, Australia has expressly recognised the EC's right to implement in its law more extensive protection for GIs than is required to be provided by the TRIPS Agreement.¹²

21. On the other hand, and in its responses to both Question Nos. 114 and 116, the EC totally ignores the implications of a situation where protection of an EC-defined GI is provided by other means, for example, through registration of a term as a certification trademark.¹³ In addition, the EC argument that a WTO Member cannot say that it does not have authority to state whether a GI is protected within its territory¹⁴ overlooks that – as in the Australian legal order, for example – in the absence of an explicit court judgment, no government agency might be able to be empowered to provide, with the necessary degree of assurance, the certification required by the EC.

22. Further, the EC's responses make clear that – one way or another – the EC will seek to ensure that its views on the registration and protection of EC-defined GIs prevail. The EC has conceded that the reciprocity and equivalence conditions of Article 12.1 of Regulation No. 2081/92 would be inconsistent with the EC's obligations under GATT Article III:4 if those conditions were to be applied to other WTO Members.¹⁵ Yet having made that concession, the EC now seeks to have the Panel find that the EC can nonetheless require other WTO Members to participate in the implementation of a system of registration and protection of EC-defined GIs, even though that system is contrary to the EC's obligations pursuant to the WTO Agreement. The EC argues that if other WTO Members don't "cooperate" – in effect, adopt the EC's system – it is their own fault that nationals of those other WTO Members can't access the benefits of the EC's system.

23. At the same time, the EC does not explain how such a view might be in harmony with the express recognition in the preambular clauses of the TRIPS Agreement that IP rights are private rights. Nor does it explain how its requirements are consistent with the requirements of TRIPS Article 1.3 to "accord the treatment provided for in this Agreement to the nationals of other Members".

24. Further, notwithstanding its arguments that any interpretation of the TRIPS Agreement must consider the relevance of GATT Article XX(d),¹⁶ the EC has not acknowledged the finding of the Appellate Body in *US – Shrimp* that a measure being applied in a way that "*require[d]* other WTO Members to adopt a regulatory program that [*was*] not merely *comparable*, but rather *essentially the same*" (*emphases in original*) was not justifiable under the chapeau of GATT Article XX.¹⁷

¹² Australia's First Written Submission, paragraph 4, second bullet point.

¹³ See, for example, Australia's First Written Submission, paragraph 198.

¹⁴ EC Response to Question No. 116(a), paragraph 74.

¹⁵ EC Response to Question No. 94.

¹⁶ See, for example, EC Response to Question No. 103, paragraph 36.

¹⁷ *United States – Import Prohibition of Certain Shrimp and Shrimp Products*, Report of the Appellate Body, WT/DS58/AB/R, paragraph 163, referred to in Australia's Second Oral Statement, paragraph 70.

QUESTION NO. 122

25. The EC's attempts to make a conceptual distinction for the purpose of interpreting the mandatory labelling requirement in Article 12.2 of Regulation No 2081/92 between the origin of a product eligible to bear an EC-defined GI and the product itself are flawed. The origin of a product eligible to bear an EC-defined GI is inextricably linked to that product by virtue of the definitions set out in Article 2.2 of the Regulation. In addition, the notion of origin involves a product; a geographical location only becomes a geographical origin if there is something that has been produced in it. Australia submits therefore that when talking about the origin of a product (as opposed to simply a geographical location) eligible to bear an EC-defined GI, the EC's argument¹⁸ that the labelling requirement applies to the origin of the product and not the product itself, does not make sense.

26. Australia would also like to point out that, contrary to the EC's suggestion,¹⁹ Australia has not argued that the origin of a product is a product characteristic within the meaning of the definition of "technical regulation" in the TBT Agreement. Rather, Australia argues that the mandatory labelling requirement in Article 12.2 of Regulation No. 2081/92 for the specific products envisaged by that Article meets the definition of a "technical regulation" pursuant to the TBT Agreement.

QUESTION NO. 124

27. The EC's statement²⁰ that GATT Article IX:1²¹ "exempts origin marking from national treatment obligations" is incorrect. GATT Article IX:1 imposes a positive obligation of no less favourable treatment vis-à-vis products of third countries (MFN obligation). It is silent on the issue of origin marking requirements in relation to the national treatment obligation in GATT Article III:4.

QUESTION NO. 125

28. The EC suggests that the Panel might have to consider whether GATT Article XX would be applicable within the context of the TBT Agreement. In Australia's view, had the drafters wished for the TBT Agreement to contain a direct reference to GATT Article XX, they would have included one. Instead, TBT Article 2.2, read in light of the preamble, which reproduces closely the chapeau of GATT Article XX, contains a similar "necessity" test to that in GATT Article XX.

29. In any case, these issues are outside the parameters of what the Panel needs to consider in determining whether Article 12.2 of Regulation No. 2081/92 accords less favourable treatment, contrary to TBT Article 2.1, to imported like products bearing – or eligible to bear – an EC-defined GI. Moreover, the EC bears the burden of proof for establishing any significance of GATT Article XX in the context of the TBT Agreement. The EC has not, however, met its burden: indeed, it has not presented any supporting arguments.

QUESTION NO. 134

30. Australia assumes that the first sentence of paragraph 119 of the EC's response was intended to read "any claim under the provision of Articles 5-9 TBT Agreement concerning inspection structures" as, as the EC itself says, Australia has made a claim under TBT Article 2.2.

¹⁸ First Written Submission of the EC, paragraph 451.

¹⁹ EC Response to Question No. 122, paragraph 91.

²⁰ EC Response to Question No. 124, paragraph 99.

²¹ Australia assumes that the reference to Article XI:I is a typographical error.

31. Further, notwithstanding the EC's statement that "the essential question which the Panel needs to decide is whether these structures by themselves are a technical regulation",²² Australia's claim in relation to the inspection structure requirement is that Article 4, in particular Article 4.2(g), and Article 10 read together constitute the technical regulation.²³ Australia has not made a claim in relation to the inspection structure requirements of Article 10 of Regulation No. 2081/92 in isolation.

QUESTION NO. 135

32. Once again, the EC invokes its right – pursuant to TRIPS Article 1.1 – to implement in its law more extensive protection than it is required by the TRIPS Agreement to grant,²⁴ without also acknowledging the conditionality of that right: "provided that such protection does not contravene the provisions of this Agreement".²⁵ Thus, even if Regulation No. 2081/92 might be a measure not inconsistent with the provisions of the GATT 1994 within the meaning of GATT Article XX(d) – an issue Australia does not concede – it would only be so to the extent that it was fully consistent with the EC's obligations pursuant to the TRIPS Agreement.

QUESTION NO. 136

33. Once again, the EC ignores the implications of a situation where protection of an EC-defined GI is provided through registration of a term as a certification trademark.²⁶

34. And once again, the EC's response makes clear that – one way or another – the EC will seek to ensure that its views on the registration and protection of EC-defined GIs will prevail.

35. In the context of this question, the EC seeks to have the Panel accept the view that – when a WTO Member has a system of registration and protection similar to that of the EC – there is no problem. According to the EC's logic, a requirement for another WTO Member government to verify an application for registration of an EC-defined GI "would not seem burdensome" and "the impact on exports ... should be extremely small".²⁷ That the requirement – even in those situations – would not meet the necessity test of GATT Article XX(d) seems to have been overlooked by the EC.

36. Equally, the EC seeks to have the Panel accept the view that – when a WTO Member does not have a system of registration and protection similar to that of the EC – it is reasonable for the EC to seek to compel another WTO Member to act as a sub-national unit of the EC in any case.²⁸ In addition, the EC argument that other WTO Member governments must verify that applications comply with the requirements of Regulation No. 2081/92²⁹ overlooks that – as in the Australian legal order, for example – in the absence of an explicit court judgment, no government agency might be able to be empowered to provide, with the necessary degree of assurance, the certification required by the EC.

37. Even if requiring the cooperation of another WTO Member may be "an issue of timing and sequencing of the application process" in some cases,³⁰ the provisions of Regulation No. 2081/92 do not provide for the possibility that an applicant could demonstrate compliance with the requirements

²² EC Response to Question No. 134, paragraph 119.

²³ Australia's First Written Submission, paragraphs 209-224.

²⁴ EC Response to Question No. 135, paragraph 130.

²⁵ Australia's Second Oral Statement, paragraph 108.

²⁶ See Australia's comment above on the EC Response to Question No. 116.

²⁷ EC Response to Question No. 136(a), paragraph 134.

²⁸ EC Response to Question No. 136(b), paragraphs 135-138.

²⁹ EC Response to Question No. 136(a), paragraph 131.

³⁰ EC Response to Question No. 136(c), paragraph 141.

of Articles 2.2, 4 and 10 directly, for example, on the basis of registration as a certification trademark. Compelling the involvement of the government of another WTO Member in the application process does not meet the necessity test of GATT Article XX(d).³¹

38. The EC now says that "... Regulation 2081/92 does not require unnecessary levels of staff to be maintained throughout the year" and that "... since it is presumably not economic to establish and wind down an inspection body every year, in such a case it would be reasonable to entrust the function of inspections to a body which also carries out tasks other than inspections under Regulation 2081/92".³² Article 10.3 of the Regulation expressly provides: "[d]esignated inspection authorities and/or approved private body must ... have permanently at their disposal the qualified staff and resources necessary to carry out inspection of agricultural products and foodstuffs bearing a protected name" (*emphasis added*). Australia contests that Article 10.3 – having regard to its wording, context and aims – may properly be interpreted in the manner now suggested by the EC. Article 10.3 is clearly premised on the inspections being undertaken by an autonomous agency, the staff of which are permanently available to that agency.³³

39. In any case, Australia's claim in relation to the EC's requirement to have in place in all circumstances an EC-mandated inspection structure has been made under TBT Article 2.2. In that context, the EC has not met its burden of proof to show that GATT Article XX(d) has any significance in the context of the TBT Agreement.³⁴

40. Finally, Australia recalls that the EC has invoked GATT Article XX(d) only in respect of Australia's claim concerning the requirement that an application for the registration of an imported product be submitted through the government of the WTO Member in which the relevant geographical area is located. Moreover, the EC has not, at any stage in this dispute, attempted to establish a *prima facie* case that such a requirement is consistent with the chapeau of GATT Article XX.³⁵

QUESTION NOS. 137 AND 139

41. The EC argues that Australia is requesting "a remedy against the confusing use of a registered geographical indications [*sic*] which many Members do not provide with respect to the infringement of a registered trademark by a latter [*sic*] registered trademark".³⁶ The EC points to the trademark provisions of a number of other WTO Members which it has set out in its response to Question No. 139.³⁷ Australia has already requested that the Panel exclude from consideration the provisions of other WTO Members' trademark laws.³⁸

42. The inherent dangers of considering provisions of other WTO Members' trademark laws in isolation from their full context are amply demonstrated in the case of the Australian Trade Marks Act provision cited by the EC (section 122(1)(e)). That provision – when considered in the full context of the Act and in the legal order of Australia – excepts certain actions from infringing an earlier trademark right only where the prior right holder expressly consented to the co-existence, for

³¹ Australia's Second Oral Statement, paragraphs 67-70.

³² EC Response to Question No. 136(f), paragraph 155.

³³ The implicit premise of Article 10.3 of Regulation No. 2081/92 is confirmed by the EC's subsequent statement (in paragraph 155) that: "... in such a case it would be reasonable to entrust the function of inspections to a body which also carries out tasks other than inspections under Regulation 2081/92".

³⁴ See Australia's comment above on the EC Response to Question No. 125.

³⁵ Australia's Second Oral Statement, paragraphs 66-70.

³⁶ EC Response to Question No. 137, paragraph 163.

³⁷ EC Response to Question No. 139, paragraph 170 and footnote 68.

³⁸ See Introduction above.

example, in a licensing arrangement, or where the prior right holder failed to take the extensive opportunities provided under Australia law to prevent the acquisition of the later trademark right.

43. Notwithstanding the EC's assertions to the contrary, Australia is not requesting a remedy which it does not provide with respect to the infringement of a trademark right under its own domestic law.

QUESTION NOS. 143, 146, 148 AND 149

44. The EC's responses are premised on "confusion" and "mislead" being synonymous terms in the context of both TRIPS Article 16.1 and Article 14.3 of Regulation No. 2081/92. In support of its contention that "confusion" in the sense of TRIPS Article 16.1 is synonymous with "mislead" in the sense of Article 14.3 of the Regulation, the EC points to a WIPO publication. Further, the EC appears to be arguing that "mislead" in the context of TRIPS Article 22.2 is also synonymous with "confusion" in the sense of TRIPS Article 16.1.³⁹

45. A WIPO publication cannot be determinative of the issue. Notwithstanding the obvious synergy between matters which fall within the purview of WIPO and matters covered by the TRIPS Agreement, the interpretation of the TRIPS Agreement is expressly reserved to the Ministerial Conference and the General Conference of the WTO in accordance with Article IX.2 of the WTO Agreement. Moreover, the WIPO publication quoted by the EC is not inconsistent with Australia's view of the proper interpretation of the notion of "a likelihood of confusion". As Australia has previously said, in reality the likelihood of confusion is a continuum.⁴⁰ The publication quoted by the EC simply defines one point in the continuum. It does not equate confusing to misleading, but rather suggests that if a particular use is confusing, it is likely also to mislead. Further, Australia notes that other WIPO publications explain the notion of "a likelihood of confusion" in different ways, for example:

... The basic test is whether the allegedly similar mark resembles the protected mark in such a way as to be *likely to confuse the average consumer* as to the source of the goods or services or as to the connection between the concurrent users of the similar marks, taking into account all the circumstances of the particular case. In other words, a mark is generally considered "confusingly similar" if it is so similar to the protected mark that a substantial number of average consumers are likely to be confused or misled as to the source of the goods or services sold under the similar mark, in the belief that such products or services originate from the same enterprise which owns and/or uses the protected mark (or that there is a "connection" between such enterprise and the enterprise using the similar mark, as, for example, in the case of a licensor and a licensee).⁴¹

46. Finally, as the Appellate Body found in *India – Patents*, "[t]he duty of a treaty interpreter is to examine the words of the treaty to determine the intentions of the parties"⁴² (*emphasis added*). It is the actual words of the TRIPS Agreement that determine a WTO Member's obligations pursuant to that Agreement.

³⁹ EC Response to Question No. 149.

⁴⁰ Australian Response to Question No.148, paragraph 72(c).

⁴¹ *The Role of Industrial Property in the Protection of Consumers*, WIPO, Geneva 1983, Exhibit AUS-20, paragraph 41.

⁴² *India – Patent Protection for Pharmaceutical and Agricultural Chemical Products*, Report of the Appellate Body, WT/DS50/AB/R, paragraph 45.

QUESTION NO. 145

47. The EC says – in the context of a WTO Member enacting a measure permitted by TRIPS Article 15.2 to prevent registration of a GI as a trademark – that "if a trademark has been registered, or applied for, before either of the two dates mentioned in Article 24.5, the Member in question would be prohibited by virtue of Article 24.5 from invalidating that trademark on the ground that such trademark is identical or similar to a geographical indication".⁴³

48. Australia notes, however, that the two dates mentioned in TRIPS Article 24.5 do not apply to a good faith application for, or registration of, a trademark.⁴⁴ In accordance with the normal usage of punctuation in the English language, had it been intended that the two dates apply to a trademark application or registration, there would have been a comma between the words "good faith" and "either". In the absence of a comma, the two dates are applicable only "where rights to a trademark have been acquired through use". Moreover, Australia notes that the French text of TRIPS Article 24.5 similarly does not apply the two dates to a trademark application or registration.

QUESTION NO. 148

49. The EC refers to Australia's request to register the term "Australia" as a GI under the Australia-EU bilateral agreement concerning trade in wine.⁴⁵ Australia notes that the bilateral agreement does not form part of the measure at issue in the dispute initiated by Australia. In any case, the term "Australia" on its own could not *per se* function as a trademark as it could not distinguish the goods or services of one undertaking from those of other undertakings.

QUESTION NO. 153

50. Once again, the inherent danger of considering provisions of other WTO Members' trademark laws in isolation from their full context is demonstrated in the case of the Australian Trade Marks Act provision cited by the EC (section 122(1)(b)(i)). That provision excepts certain actions from infringing an earlier trademark right where a sign is used to indicate the geographical origin of a good or service. When considered in the full context of the Act and in the legal order of Australia, and as previously explained by Australia⁴⁶ and notwithstanding the EC's seeming unwillingness to accept that explanation,⁴⁷ a sign used to indicate geographical origin within the meaning of section 122(1)(b)(i) does not include either a TRIPS- or an EC-defined GI. It simply means a sign to indicate a place from which the goods or services originate, irrespective of whether that place may also be a geographical indication within the meaning of TRIPS Article 22.1. Thus, for example, the right holders of the certification trademark "Stilton" in Australia could not automatically prevent good faith use of the phrase "Made in Stilton" to indicate the place from which another product originated.

51. Australia has already requested that the Panel exclude from consideration the provisions of other WTO Members' trademark laws.⁴⁸

⁴³ EC Response to Question No.145, paragraph 199, first bullet point.

⁴⁴ While section 61 of the Australian Trade Marks Act applies those two dates to applications for and registrations of trademarks also, it does so in the context of a higher level of protection of TRIPS-defined GIs consistent with the provisions of TRIPS Articles 1.1 and 15.2. Australia retains the right – consistent with its obligations under other provisions of the TRIPS Agreements – to diminish that level of protection if, with the passage of time, the application of that provision were to be shown to be unfair consistent with the principle of territoriality.

⁴⁵ EC Response to Question No. 148, paragraph 220.

⁴⁶ Australian Response to Question No. 80 from the Panel.

⁴⁷ EC's Second Written Submission, footnote 219.

⁴⁸ See Introduction above.

52. Finally, and in any case, the ECJ case law referred to by the EC⁴⁹ as supposedly supporting its view of the proper interpretation of an indication of geographical origin in the Community Trademark Directive and Regulation in fact concerned use of such an indication as a trademark. Further, it concerned a term that was expressly recognised as a geographic source of natural mineral waters under the relevant EC Directive. Moreover, Australia notes that the Explanatory Memorandum prepared by the European Commission concerning the proposed changes to Regulation No. 2081/92 which were eventually adopted in Regulation No. 692/2003 expressly referred to the problems revealed by applications for registration of mineral and spring waters as EC-defined GIs.⁵⁰ The case law referred to by the EC does not substantiate its argument.

QUESTION NOS. 159 AND 160 AND AUSTRALIAN QUESTION NOS. 2 AND 3

53. At no stage in this dispute has Australia claimed that "the additional protection afforded to registered geographical indications under Article 13.1 of Regulation No. 2081/92 ... could be 'an act of unfair competition'".⁵¹ Rather, Australia has claimed that – in respect of the registration of an EC-defined GI – the EC does not provide the legal means for interested parties to prevent misleading use or use which constitutes an act of unfair competition within the meaning of Paris Article 10bis.⁵²

54. Further, Australia notes the inherent contradiction in the EC's responses to Question Nos. 159 and 160. On the one hand, it acknowledges that Australia has not claimed that "the other measures cited by the EC" – in its First Written Submission and in the responses of the EC and its Member States in the context of the TRIPS Article 24.2 review by the TRIPS Council – "are not sufficient to protect geographical indications that have not been registered Regulation 2081/92".⁵³ On the other hand, it argues that because Australia has not mentioned those other measures in the context of its claim in respect of the registration of an EC-defined GI – even though Australia does not contest the issue of whether those other measures are sufficient to meet the EC's obligations in respect of TRIPS-defined GIs more generally – Australia has improperly shifted the burden of proof to the EC.⁵⁴ The consequence of the EC's argument is that Australia should have analysed and demonstrated a negative, notwithstanding an express and unambiguous obligation on the EC to make available the legal means to prevent the uses set out in TRIPS Article 22.2.

55. Moreover, and in any case, Australia notes that the EC Responses to Australian Question Nos. 2 and 3 do not show that – in respect of the registration of an EC-defined GI – the EC assures access:

- by a trademark right holder to "appropriate legal remedies effectively to repress" acts of unfair competition within the meaning of Paris Article 10bis as required by Paris Article 10ter(1);
- by "interested parties" to "legal means ... to prevent" misleading use or use which constitutes an act of unfair competition within the meaning of TRIPS Article 22.2; or

⁴⁹ EC Response to Question No. 153, paragraphs 242-244 and footnote 99.

⁵⁰ *Proposal for a Council Regulation amending Regulation (EEC) No 2081/92 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs*, Brussels, 15.03.2002, 2002/0066 (CNS), Exhibit US-20.

⁵¹ EC Response to Question No. 159, paragraph 263.

⁵² Australia's First Written Submission, paragraphs 154-155, and Australia's Second Oral Statement, paragraphs 80-85.

⁵³ EC Response to Question No. 159, paragraph 263.

⁵⁴ EC Response to Question No. 160, paragraph 265.

- by a trademark right holder to "civil judicial procedures concerning the enforcement of any intellectual property right covered by this Agreement" within the meaning of TRIPS Article 42.

56. Firstly, "the Codorníu judgment"⁵⁵ did not address the rights of trademark holders generally. (It concerned a single trademark right holder who was able to show that its trademark registration predated registration of the term at issue by some 65 years.⁵⁶) Moreover, the EC admits this when it asserts that there are some circumstances where a trademark right holder will be able to show it is individually concerned.⁵⁷ Equally, this suggests that there will be circumstances where a trademark right holder will not meet this threshold requirement.

57. Secondly, even if – in accordance with the ECJ's judgement in *Commission of the European Communities v Jégo-Quéré & Cie SA*⁵⁸ – a trademark right holder or, in the context of TRIPS Article 22.2, an interested party were always able to initiate action to ensure review of the legality of acts of the institutions, "review of the legality of the acts of the institutions" does not necessarily extend to the exercise of rights required to have been granted to such persons pursuant to the EC's obligations under the TRIPS Agreement. "... [T]he WTO agreements are not in principle among the rules in the light of which the Court is to review the legality of measures adopted by the Community institutions ...".⁵⁹ Unless an obligation arising from the EC's membership of the WTO Agreement is incorporated in an act of an institution, a trademark right holder or interested party is not assured of the rights required to have been granted to that person under the TRIPS Agreement. Thus, for example, where the EC's breach of an obligation is by omission – such as in the case of TRIPS Article 22.2 in respect of the registration of an EC-defined GI – there is no act of an institution whose legality can be reviewed.

58. Thirdly, notwithstanding the EC's argument that "Regulation 2081/92 and the other measures mentioned in its first submission apply cumulatively",⁶⁰ Australia notes again that the other measures are specifically excluded (Article 142 – now Article 159 – of the Community Trademark Regulation) from applying to, or would not prevail over, the relevant rights granted by Regulation No. 2081/92.⁶¹

59. In *Canada – Patent Term*, the Appellate Body examined a claim concerning the obligation pursuant to TRIPS Article 33 to grant a term of patent protection of not less than 20 years. The Appellate Body found: "[t]he opportunity to obtain a twenty-year term must be a readily discernible and specific right ...".⁶² The current situation is analogous: the opportunity to exercise the rights required to be granted to a person pursuant to the EC's obligations under the TRIPS Agreement must be readily discernible and specific.⁶³

⁵⁵ *Codorníu SA v Council of the European Union* (Case C-309/89), [1994] ECRI-01853, Exhibit EC-111.

⁵⁶ The Codorníu judgment, paragraphs 21-22. Australia also notes that the term at issue – "cremant" – was considered to "[refer] primarily not to the origin but the method of manufacture" of the wine (paragraph 28).

⁵⁷ "... this does not mean necessarily that a trademark holder will never be able to show that it is individually concerned. In particular, a trademark holder could seek to rely on the Codorníu case law"⁵⁷ (*emphases added*): EC Response to Australian Question No. 2, paragraph 9.

⁵⁸ Case C-263/02 P, Exhibit EC-113.

⁵⁹ See Australian Response to Question No. 6, referring to the Biret judgment, Exhibit AUS-07.

⁶⁰ EC Response to Question No. 159, paragraph 258. Australia understands the EC's reference to "other measures mentioned in its first submission" to mean those measures listed at paragraph 434 of that submission.

⁶¹ See, for example, Australia's Written Rebuttal Submission, paragraphs 146 and 171.

⁶² *Canada – Term of Patent Protection*, Report of the Appellate Body, paragraph 92

⁶³ See Australia's Closing Statement to the second meeting with the Panel.

QUESTION NO. 163

60. The EC once again says: "... as a matter of fact, no objection procedure applied under the simplified procedure regardless of whether EC residents or foreign residents were involved".⁶⁴ However, the EC has also said: "[b]ecause of the concerns raised by the owners of the trademarks at issue and by some Member States, the EC institutions could not reach a decision with respect to [*the "Bayerisches Bier"*] name as of the time of the adoption of Regulation 1107/96"⁶⁵ (*emphasis added*).

61. Clearly, there was indeed a mechanism available to at least some EC trademark right holders to make their objections known in the context of the decision-making process provided by Article 15 of Regulation No. 2081/92. How else could "the owners of the trademarks at issue" have made their concerns known?

62. Australia maintains its claim 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 process, contrary to Articles 1.1 and 1.3, 2.1 ("incorporating" Article 2 of Paris Convention) and 3.1 of the TRIPS Agreement.⁶⁶ Further, and contrary to the EC's assertion,⁶⁷ the registrations of those 480 EC-defined GIs are encompassed by Australia's claims under TRIPS Articles 16.1,⁶⁸ 2.1 ("incorporating" Paris Articles 10bis⁶⁹ and 10ter⁷⁰), 24.5,⁷¹ 42,⁷² 41.2,⁷³ 41.3⁷⁴ and 41.1,⁷⁵ as well as under TRIPS Articles 1.1 and 2.1.⁷⁶

63. TRIPS Article 70.1 does not place the registrations of the 480 EC-defined GIs pursuant to Regulation No. 1107/96 outside the temporal scope of the TRIPS Agreement for any purpose. That any inconsistencies with the EC's obligations pursuant to the TRIPS Agreement may have arisen from acts of omission, or because the proposed list of names to be registered was already under consideration by a decision-making authority as at 1 January 1996 (the date of application of the TRIPS Agreement for the EC), does not excuse the EC from complying with any of its obligations

⁶⁴ EC Response to Question No. 163, paragraph 271.

⁶⁵ EC Response to Question No. 144, paragraph 195.

⁶⁶ Australia's First Written Submission, paragraphs 190-194.

⁶⁷ EC Response to Question No. 163, paragraph 270.

⁶⁸ Australia's First Written Submission, paragraphs 88-107.

⁶⁹ Australia's First Written Submission, paragraphs 113-115.

⁷⁰ Australia's First Written Submission, paragraphs 115-118.

⁷¹ Australia's First Written Submission, paragraphs 81-87.

⁷² Australia's First Written Submission, paragraphs 119-125.

⁷³ Australia's First Written Submission, paragraphs 126-140.

⁷⁴ Australia's First Written Submission, paragraphs 141-144.

⁷⁵ Australia's First Written Submission, paragraphs 145-148.

⁷⁶ Australia's First Written Submission, paragraphs 151-152.

pursuant to the TRIPS Agreements in respect of acts of registration of EC-defined GIs which took place after that date.

AUSTRALIAN QUESTION NOS. 2 AND 3

64. See Australia's comment on EC Responses to Question Nos. 159 and 160 above.

ANNEX A-10

**COMMENTS OF AUSTRALIA ON THE REPLY OF THE
WORLD INTELLECTUAL PROPERTY ORGANIZATION
TO THE PANEL'S LETTER OF 9 JULY 2004**

(28 September 2004)

Through this letter, I am conveying Australia's comments on the reply of the World Intellectual Property Organization ("WIPO") to the Panel's request of 9 July 2004. In that letter, the Panel requested factual information available to WIPO relevant to the interpretation of Article 2 of the Paris Convention for the Protection of Industrial Property (1967), and of any other provisions concerning the eligibility of natural or legal persons for protection under that Convention.

As a preliminary matter, Australia notes that none of the parties to the dispute have argued that interpretation of Paris Article 2 in accordance with the customary rules of interpretation of public international law, which have guided Australia's interpretive approach in this dispute, leaves the meaning of Paris Article 2 ambiguous or obscure or leads to a result which is manifestly absurd or unreasonable. Consequently, the Panel is not obliged to have recourse to supplementary means of interpretation, such as those contained in the records provided by WIPO.

Nevertheless, the records confirm that the interpretation of the Convention put forward by Australia in this dispute is fully consistent with the intent of the negotiators of the Convention.

The records show a clear intent on the part of the negotiators that Paris Article 2 should not permit any condition of domicile or establishment to be imposed on the nationals of other countries of the Union for the enjoyment, as regards the protection of industrial property, of the advantages that a country grants to its own nationals.

In addition, the Report of the Drafting Commission at the 1925 Revision Conference at The Hague expressly states, in relation to the provision that is now Article 2(2) of the Paris Convention, that:

... we put at the beginning [*of this sentence*] 'however' to show that this [*condition*] concerns a restriction on the rule, expressed in indent 1, of the reservation of fulfilment of the conditions and formalities imposed on nationals.

Accordingly, the records explicitly confirm the view of the relationship between paragraphs 1 and 2 of Article 2 of the Paris Convention put forward by Australia in its First Oral Statement (at paragraph 16) and in its Written Rebuttal Submission (at paragraphs 26-28). Paris Article 2(2) defines the boundary of permissible action in relation to conditions of domicile or establishment for nationals of other WTO Members in the application of the national treatment obligation established by Paris Article 2(1), and is an integral aspect of the national treatment obligation established by the Paris Convention with which a WTO Member is required to comply. Consequently, Paris Article 2(2) was properly raised in Australia's panel establishment request.
