

ANNEX A-5

SECOND WRITTEN SUBMISSION OF THE UNITED STATES

(22 July 2004)

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TABLE OF REPORTS

Short Form	Full Citation
<i>Belgian Family Allowances</i>	GATT Panel Report, <i>Belgian Family Allowances</i> , BISD 1S/59, adopted 7 November 1953.
<i>Canada – Patent Protection</i>	Panel Report, <i>Canada – Term of Patent Protection</i> , WT/DS170/R, adopted 12 October 2000.
<i>Canada – Dairy</i>	Appellate Body Report, <i>Canada – Measures Affecting the Importation of Milk and the Exportation of Dairy Products</i> , WT/DS103/AB/R, WT/DS113/AB/R, adopted 27 October 1999.
<i>EEC – Beef</i>	GATT Panel Report, <i>European Economic Community – Imports of Beef from Canada</i> , L/5099-28S/92, adopted 10 March 1981.
<i>Indonesia – Autos</i>	Panel Report, <i>Indonesia – Certain Measures Affecting the Automobile Industry</i> , WT/DS54/R, WT/DS55/R, WT/DS59/R, WT/DS64/R, adopted 23 July 1998.
<i>Japan – Apples</i>	Appellate Body Report, <i>Japan – Measures Affecting the Importation of Apples</i> , WT/DS245/AB/R, adopted 10 December 2003.
<i>Korea – Beef</i>	Appellate Body Report, <i>Korea – Measures Affecting Imports of Fresh, Chilled and Frozen Beef</i> , WT/DS161/AB/R, WT/DS169/AB/R, adopted 10 January 2001.
<i>Turkey - Textiles</i>	Panel Report, <i>Turkey – Restrictions on Imports of Textile and Clothing Products</i> , WT/DS34/R, adopted 19 November 1999.
<i>US – Section 110(5)</i>	Panel Report, <i>United States – Section 110(5) of the U.S. Copyright Act</i> , WT/DS160/R, adopted 27 July 2000.
<i>US – Section 211</i>	Appellate Body Report, <i>United States – Section 211 Omnibus Appropriations Act of 1998</i> , WT/DS176/AB/R, adopted 1 February 2002.
<i>US - Section 301</i>	Panel Report, <i>United States – Sections 301-310 of the Trade Act of 1974</i> , WT/DS152/R, adopted 27 January 2000.
<i>US - Shirts and Blouses</i>	Appellate Body Report, <i>United States – Measure Affecting Import of Woven Wool Shirts and Blouses from India</i> , WT/DS33/AB/R, adopted 23 May 1997.
<i>US - Superfund</i>	GATT Panel Report, <i>United States – Taxes on Petroleum and Certain Imported Substances</i> , L/6175-34S/136, adopted 17 June 1987.
<i>US – Section 337</i>	GATT Panel Report, <i>United States – Section 337 of the Tariff Act of 1930</i> , BISD 36S/345, adopted 7 November 1989.

I. INTRODUCTION

1. Apparently motivated by a desire to benefit the rural economy in the EC – particularly in "less favoured or remote" areas¹ – by increasing the income of farmers and retaining the rural population in these areas, the EC has established what it believes to be a powerful system for protecting geographical indications for agricultural products and foodstuffs produced in the EC. This is a system of protection that, according to the EC itself, bestows significant competitive and commercial benefits on those persons and products able to qualify for protection: it increases the prices of qualifying products and increases the income for persons producing and selling those products.

2. Unfortunately, this substantial benefit to the EC rural economy – and the EC's agricultural products and farmers – comes at the expense of *non*-EC products and persons, which face substantial barriers to accessing this system of protection; it also comes at the expense of trademark right-holders, whose trademark rights, guaranteed under the TRIPS Agreement, are severely curtailed. Consequently, the instrument of this benefit – the EC GI Regulation² – is inconsistent with a number of fundamental obligations of the TRIPS Agreement and the GATT 1994 – including obligations with respect to national treatment, most favored nation treatment ("MFN") and trademark rights, among others – as set forth in the first written submission of the United States.³

3. At this point in the proceeding, the issues have been somewhat narrowed and sharpened, and this second submission will reflect that fact. Notably, as discussed further below, the EC has decided not to defend the GI Regulation's requirements that third countries adopt the EC GI protection system and offer reciprocal protection to EC agricultural products as a condition to obtaining protection in the EC for its GIs. Apparently conceding that any such requirement is contrary to national treatment and most favored nation ("MFN") obligations, the EC has, instead, denied that these requirements apply to WTO Members. Consequently, the only real issue for the Panel to decide is whether these requirements do apply to WTO Members.

4. Therefore, this submission will first address, in section II below, the fact that these WTO-inconsistent obligations do apply to WTO Members, and the US concerns – heightened by the EC's response to the Panel questions – that the European Court of Justice ("ECJ") would, if presented with this question, so find. This submission will then address, in sections III through VI, the other aspects of the EC GI Regulation – *i.e.*, those aspects that the EC admits apply to WTO Members – that are inconsistent with the national treatment and MFN obligations of the EC under the TRIPS Agreement, the Paris Convention, and the GATT 1994. Section VII will then discuss how, in light of the US arguments and the EC's responses, the GI Regulation denies trademark owners the rights that they are required to have under Article 16.1 of the TRIPS Agreement to prevent all confusing uses of identical or similar signs. Section VIII will discuss the GI Regulation's failure to make required legal means available to interested parties to prevent misleading uses with respect to geographical indications, as required by Article 22.2 of the TRIPS Agreement. Finally, section IX will discuss the EC GI Regulation's denial of the enforcement procedures and remedies required by the TRIPS Agreement.

¹ EC GI Regulation, second "whereas" clause.

² *i.e.*, the measure at issue in this dispute: Council Regulation (EEC) No. 2081/92 of July 14, 1992, on the protection of geographical indications of origin for agricultural products and foodstuffs, as amended, and its related implementing and enforcement measures. In this submission, as in the first submission, references to particular provisions of the GI Regulation are references to Regulation 2081/92 itself, as most recently amended, provided as Exhibit COMP-1-b.

³ Submitted April 23, 2004 ("US First Written Submission").

II. "RECIPROCITY" AND "EQUIVALENCE" REQUIREMENTS OF ARTICLE 12(1) OF THE EC GI REGULATION

5. In this section the United States discusses briefly the reciprocity and equivalence requirements imposed under Article 12(1) of the EC GI Regulation on all third countries whose nationals hope to gain access to the EC GI registration system. As the United States explained in its first written submission,⁴ these conditions are inconsistent with the EC's national treatment and MFN obligations under the TRIPS Agreement, the Paris Convention, and the GATT 1994. The sections that follow below will separately discuss the other aspects of the EC GI Regulation that are inconsistent with these obligations. The reason for this division is that, unlike other aspects of the EC GI Regulation, the EC does not appear to contest that the conditions of reciprocity and equivalence in Article 12(1) of the GI Regulation, if imposed on WTO Members, would be inconsistent with the EC's national treatment and MFN obligations. Also unlike the other aspects of the GI Regulation that are inconsistent with the EC's national treatment and MFN obligations, the EC denies that the Article 12(1) reciprocity and equivalence conditions are applicable to WTO Members. Therefore, the only open question with respect to these equivalence and reciprocity requirements appears to be whether the EC GI Regulation, in fact, imposes these requirements on WTO Members.⁵ While the United States would be delighted to find that these requirements are not applicable to WTO Members, we do not see how the EC's claims in this proceeding can be reconciled with the text of the EC measure nor with the EC's position prior to this proceeding.

6. Regardless of the Panel's findings on this issue, however, it would assist in the resolution of this dispute to review and make separate findings on whether, in addition to the Article 12(1) reciprocity and equivalence conditions, other aspects of the GI Regulation, detailed further in the sections that follow, are inconsistent with the national treatment and MFN obligations of the EC under the TRIPS Agreement, the Paris Convention, and the GATT 1994. Therefore, the United States will not discuss the substance of the Article 12(1) conditions of reciprocity and equivalence further in the sections that follow, but simply refers back to its first submission and its oral statement at the first Panel meeting.

7. Before discussing the inconsistency with national treatment and MFN obligations of other aspects of the GI Regulation, however, the United States would like to emphasize that the EC's answers to the Panel's questions following the first meeting make it even more clear that these conditions of reciprocity and equivalence are, in fact, imposed on all third countries, including WTO Members.⁶

⁴ US First Written Submission, paras. 33-129.

⁵ The United States has presented substantial information and arguments that the equivalence and reciprocity conditions that are imposed on all third countries seeking to have their GIs registered and protected in the EC (or whose nationals seek to object to a GI registration) are inconsistent with the national treatment and MFN obligations of the TRIPS Agreement, the Paris Convention, and the GATT 1994. The EC's only response has been to deny that the EC GI Regulation imposes any such obligation on WTO Members "because WTO Members have to protect GIs under the TRIPS Agreement." First Written Submission of the European Communities, submitted May 25, 2004 ("EC First Written Submission"), para. 116. The EC has presented no information or arguments to rebut the US argument that such conditions are inconsistent with those Agreements. To the contrary, the EC argues only that those conditions are inapplicable to WTO Members because of the requirements of the TRIPS Agreement. The United States recalls that these conditions apply both with respect to the ability to register and protect GIs, and with respect to the ability to object to the registration of GIs, although the exact text of the GI Regulation is different with respect to registrations, on the one hand, and objections, on the other. Therefore, separate findings with respect to each may be appropriate.

⁶ The United States recalls that this reading of the EC GI Regulation is supported by the text of the Regulation in light of EC law, and was, in fact, the EC's consistent reading of this Regulation, up until its first written submission in this proceeding. *See* US First Written Submission, paras. 32-129, US Responses to Panel

8. Notably, in response to the Panel's second question, the EC confirmed that the registration procedures in Articles 5 and 6 apply only to geographical areas in the EC, and that they apply with respect to geographical areas outside the EC *only* to the extent that there are "references to specific sections of Article 5 and 6" in Articles 12a and 12b (concerning registration of and objection to third country GIs, respectively).⁷ The *only* such reference in Article 12a (third country registration) is to the ability of legal persons referred to in Article 5(1) and (2) to register a GI "in the case provided for in Article 12(3)." The only "case" provided for in Article 12(3) is where the Commission determines affirmatively that the equivalence conditions and guarantees required of third countries under 12(1) are satisfied. Therefore, either the Commission *does* make such a determination for WTO Members, in which case Article 12a applies, or it does *not* make such a determination, in which case there is no procedure for registration available for products from other WTO Members. Plainly, the absence of any procedures whatsoever to register and protect GIs located in the territory of WTO Members provides even a clearer case of less favorable treatment than imposing conditions of reciprocity and equivalence. Either way, there is a violation of national treatment and MFN obligations.

9. Further, it is significant that the EC avoided the Panel's question 20 concerning whether the Article 12(1) conditions, if applied to WTO Members, would be inconsistent with the TRIPS Agreement or the GATT 1994.⁸ If the EC's position is that these conditions are *not* inconsistent with these agreements, then it is simply not possible to read the language "without prejudice to international agreements" as exempting WTO Members from the conditions in Article 12(1). If it is the EC's position that these conditions are inconsistent with the WTO agreements, the EC should say so.

10. Other aspects of the EC's responses to the Panel's questions reinforce the US concerns that, under the EC GI Regulation, the conditions of equivalence and reciprocity apply to WTO Members, and that the ECJ would so read the Regulation.

11. First, the EC itself admits that its interpretation in this dispute lacks legal force. Indeed, the Commission goes so far as to state that the Commission's "intention is not to create new legal obligations in public international or in Community law."⁹ The significance of its statements, according to the EC is that they are "public" and "it is not conceivable ... that [the Commission] would, in the interpretation or application of the Regulation, take a different approach to the one it has set out before the Panel."¹⁰

12. But the EC's argument responds to only part of the concern. As the United States has explained, the Commission's statement does not prevent the Council, the 25 member States or individuals from contesting the Commission's application of the Regulation, in granting GI status, before the Community courts under Article 230 of the Treaty.¹¹ For this reason, it is misleading to assert that "the individual views of the EC Members [*sic*] States are [not] relevant for the interpretation of Regulation 2081/92."¹² Under Article 230 of the Treaty, each member State has a right to challenge any legal act of the Commission. This would include the act of registering a GI for a product originating in a "third country" which has not received approval from the Commission pursuant to Article 12(3) of the Regulation.

Questions, paras. 1-39, US Oral Statement of the United States at the First Substantive Meeting of the Panel ("US Oral Statement"), paras 7-16, and Australia's First Written Submission, Responses to Panel Questions.

⁷ EC Responses to Panel Questions, para. 9.

⁸ EC Responses to Panel Questions, para. 49.

⁹ EC Responses to Panel Questions, para. 30.

¹⁰ EC Responses to Panel Questions, para. 31.

¹¹ US Responses to Panel Questions, para. 14.

¹² EC Responses to Panel Questions para. 173.

13. The EC refers the Panel to the ECJ judgment in *Petrotub* for the proposition that the ECJ "may take account of statements which the Commission has made on behalf of the European Community in the WTO."¹³ The *Petrotub* case is both instructive and worrisome, for two reasons. First, in that case, which involved the imposition of antidumping duties on imports – a measure that is subject to the disciplines of the WTO Anti-Dumping Agreement, the Commission argued that it was not required under EC antidumping rules to state the reasons for discarding a particular method of calculating antidumping duties.¹⁴ In propounding this interpretation of the EC antidumping rules, however, the Commission was directly contradicting an earlier communication to the WTO Anti-Dumping Committee, in which it explained to WTO Members that such explanations *would* be provided.¹⁵

14. In other words, in the *Petrotub* case, the Commission took a position before the ECJ that *directly contradicted* the Commission's assurances to WTO Members on the interpretation and application of EC law. Furthermore, the Commission and Council *opposed* efforts by the appellants to have the ECJ rely on these earlier representations, claiming, *inter alia*, that they were "irrelevant."¹⁶ This case, therefore, hardly inspires confidence that the Commission will consider itself bound to interpretations presented to WTO Members.

15. Second, although in the *Petrotub* case, the ECJ held that it could take Commission statements to WTO Members into account, there are two important caveats relevant to this proceeding. First, nothing obliges the ECJ to take these statements into account. Further, and more important, the Commission's statements were not afforded any special status in EC law. Rather, the ECJ used the statements only as confirmation of the ECJ's interpretation of the EC's basic antidumping duty regulation.¹⁷

16. In this connection, an important part of the Commission's argument to the Panel is that the ECJ will interpret EC law consistently with international law and, therefore, consistently with the TRIPS Agreement.¹⁸ However, the ECJ provides a "consistent interpretation" of EC law and international law *only if that is possible*, according to the terms of the EC law in question. As the ECJ has stated repeatedly, "Community legislation must, *so far as possible*, be interpreted in a manner that is consistent with international law".¹⁹ If a consistent interpretation is not "possible", the ECJ will apply EC law alone.²⁰ In that event, the ECJ would disregard any assurances given by the

¹³ EC Response to Panel Questions, para. 38; Case 76/00 P. *Petrotub*, judgment of 9 January 2003, para. 15 (Exhibit EC-17).

¹⁴ *Petrotub*, para. 47.

¹⁵ Communication from the EC Commission, dated 15 February 1996, G/ADP/W/301. The communication was a response to question posed by Hong Kong, China (G/ADP/W/95); Japan (G/ADP/W/88); Korea (G/ADP/W/132); Singapore (G/ADP/W/145); and, Malaysia (G/ADP/W/107). The thrust of these questions was an apparent inconsistency between Article 2(11) of the EC basic anti-dumping regulation and Article 2.4.2 of the Anti-Dumping Agreement on the extent of the requirement to state reasons for the failure to apply symmetrical methods in calculating dumping margins. Japan expressly asked: "Although no explanation is required under Article 2.11 of the [EC] Regulation, *can the EC guarantee that it will give an explanation for [using asymmetrical methods that compare] weighted average normal value with individual export price in accordance with Article 2.4.2 of the [Anti-Dumping Agreement]?*" The EC responded that "*any departure from the [symmetrical] methods will be explained both to the parties concerned and in regulations imposing anti-dumping measures.*" (Emphasis added).

¹⁶ *Petrotub*, para. 48.

¹⁷ *Petrotub*, para. 59.

¹⁸ E.g., EC Responses to Panel Questions, para. 33.

¹⁹ See the passages quoted from the ECJ in the EC Responses to Panel Questions, paras. 35 and 36.

²⁰ See C-149/96, *Portuguese Republic v. Council of the European Union*, judgment of 23 November 1999, paras. 49 – 52. (Exhibit US-32). See also, footnote 14 of the US Responses to Panel Questions.

Commission to a Panel because these assurances would be inconsistent with a proper interpretation of EC law.

17. In the *Petrotub* case, for instance, the ECJ had to decide whether a measure imposing an antidumping duty was required to include a statement of reasons explaining why a particular method had not been used to calculate a dumping margin. The WTO Anti-Dumping Agreement explicitly required such an explanation, but the basic EC antidumping regulation did not. However, Article 253 (formerly Article 190) of the EC Treaty requires that all EC regulations "shall state the reasons on which they are based". In these circumstances, the ECJ could provide a mutually consistent interpretation of Article 253 of the EC Treaty, the EC basic antidumping regulation, and the Anti-Dumping Agreement. The ECJ held that:

Once Article 2.4.2 [of the Anti-Dumping Agreement] is transposed by the Community, the specific requirement to state reasons laid down by that provision *can be considered to be subsumed under the general requirement imposed by the Treaty* for acts adopted by the institutions to state the reasons on which they are based.²¹ (Emphasis added.)

18. Thus, the consistent interpretation of EC and WTO law involved no more than the application of general rules already contained in the EC Treaty.²²

19. In the case of Article 12 of the EC GI Regulation, by contrast, a consistent interpretation of EC and WTO law can only be achieved by disregarding the terms of the Regulation and applying a registration procedure that has no legal basis in either EC law or WTO law. In these circumstances, it does not appear "possible", under EC rules of interpretation, to arrive at the Commission's reading of the Regulation on the basis of a mutually consistent construction of EC and WTO law.²³

20. The plain text of Articles 12(3) and 12a(1) of the EC GI Regulation state that the EC is entitled to register a GI for a product from a third country only if that country has received approval from the Commission pursuant to Article 12(3). Nonetheless, apparently to comply with the national treatment obligation in the TRIPS Agreement, the Commission now proposes to disregard this explicit requirement.

21. But if it does so, there is no registration procedure at all in the EC GI Regulation for WTO Members. And the EC cannot rely on the TRIPS Agreement, based on the "without prejudice to international agreements" language, because there is no registration procedure in the TRIPS Agreement that the Commission can apply. The only option for the Commission is to apply a novel registration procedure to WTO Members that is not laid down in either international law or Community law – or indeed anywhere else.

22. It does not appear that there is any support in EC law, including the EC GI Regulation, either for disregarding the express terms of the Regulation or for substituting a registration procedure for WTO Members that has no legal basis. Therefore, it would not appear "possible" for the ECJ to give effect to the Commission's non-binding assurances concerning the EC GI Regulation.

²¹ *Petrotub*, para. 58.

²² The *Hermes* case relied upon by the EC in paragraph 35 of its responses to Panel questions, if anything, reinforces this position, since it emphasized that, in some circumstances, EC member State national rules should be applied "as far as possible" in light of the TRIPS Agreement. In addition, however, that case did not involve Community legislation.

²³ See, further, US Responses to Panel Questions, paras. 26–32.

23. In sum, in the absence of convincing legal authority to the contrary, the United States submits that this Panel should find that the Article 12(1) conditions of reciprocity and equivalence apply to all third countries, including WTO Members, and that these conditions are inconsistent with the national treatment and MFN obligations of the TRIPS Agreement, the Paris Convention, and the GATT 1994.

III. THE EC GI REGULATION IS INCONSISTENT WITH THE NATIONAL TREATMENT OBLIGATIONS OF THE TRIPS AGREEMENT AND THE PARIS CONVENTION

24. Apart from denying that the Article 12(1) conditions of reciprocity and equivalence apply to WTO Members, discussed immediately above, the EC has several specific responses to the US arguments that the EC GI Regulation provides less favorable treatment to non-EC nationals than it does to EC nationals with regard to the protection of intellectual property rights. Each section below identifies a US argument with respect to the national treatment obligations of the TRIPS Agreement and the Paris Convention, and then specifically responds to the EC position with respect to that argument.

A. THE EC GI REGULATION DISCRIMINATES BASED ON NATIONALITY

25. The EC admits that there are separate registration procedures – *i.e.*, two different "tracks" – under the GI Regulation for producers and processors producing or obtaining products in the EC, on the one hand (*i.e.*, Articles 5 and 6 of the GI Regulation) and producers and processors producing or obtaining products outside the EC, on the other (*i.e.*, Articles 12 and 12a of the GI Regulation).²⁴ (Similarly, there are two tracks for objecting to registrations, depending on whether the objector is a "natural or legal person ... from a WTO Member or a third country recognized under the procedure provided for in Article 12(3)" (Article 12d), or whether, by contrast, the objector resides or is established in an EC member State.) The EC argues, however, that these two different tracks are based on the *location* of the GI, and not the *nationality* of the GI rightholder.²⁵ According to the EC, this distinction concerns the origin of the product but "has nothing to do with the nationality of the producer"²⁶ so the GI Regulation does not discriminate between EC and non-EC nationals, and is therefore not inconsistent with the national treatment obligations of the TRIPS Agreement and the Paris Convention.

26. As the various submissions of the complainants and all of the third parties suggest, there are many reasons that the EC's facile distinction between "national" and "location" does not withstand scrutiny. In the case of geographical indications, it is simply not possible or realistic to ignore the close relationship between the geographical area that gives rise to the GI right and the nationality of the rightholder. It is clear from the design, structure and architecture of the GI Regulation that the EC provides less favorable treatment to nationals of non-EC Members than to EC nationals.

27. First, under both the TRIPS Agreement and the Paris Convention there is a connection between where a person is domiciled or established and its nationality.²⁷ Article 1.3, footnote 1, states, for instance that, for purposes of the TRIPS Agreement, "nationals" of a separate customs territory Member of the WTO means "persons, natural or legal, who are domiciled or who have a real and effective industrial or commercial establishment in that customs territory." It would appear, then,

²⁴ See, *e.g.*, EC First Written Submission, paras. 56-78 (Sections headed "D. The registration of geographical indications relating to an area located in the EC; E. The registration of geographical indications relating to an area located outside the EC; F. Objections from persons resident or established in the EC; and G. Objections from persons resident or established outside the EC.")

²⁵ *E.g.*, EC First Written Submission, para. 125.

²⁶ EC Oral Statement, para. 47.

²⁷ See US Response to Panel Questions, para. 49.

that this provision would apply to the EC, among other WTO Members. As applied to the EC, for instance, this would mean that the EC's obligation under Article 3.1 of the TRIPS Agreement is to accord to nationals of other Members treatment no less favorable than it accords to persons who are domiciled or who have a real and effective industrial or commercial establishment in the EC. An initial question, therefore, is whether, in the GI Regulation, a distinction is being made between persons that have a real and effective industrial or commercial establishment in the EC (or who are domiciled there), and persons who do not – *e.g.*, persons whose commercial establishment or domicile is in another WTO Member. If so, the EC GI Regulation is, in fact, making a distinction between nationals of the EC, on the one hand, and nationals of other WTO Members, on the other.

28. As mentioned above, the EC admits that there are two different tracks under the GI Regulation for producers and processors producing or obtaining products in the EC, on the one hand, and producers and processors producing or obtaining products outside the EC, on the other. Given that, to qualify for GI registration, a product must satisfy strict requirements linking quality, reputation, or other characteristics of the product to the geographic area, any producer or processor producing or obtaining such a product in the EC would, under any reasonable definition, have to have a "real and effective commercial establishment" in the EC.

29. Thus, the distinct "tracks" for GI registration provided in the GI Regulation do, in fact, provide for different treatment for EC nationals compared to non-EC nationals. The only way for a person who is a non-EC national by virtue of a real and effective commercial establishment in another WTO Member to register for a GI under Articles 5 and 6 of the GI Regulation – the domestic track – is for that person to establish a real and effective industrial or commercial establishment that produces or obtains products in a geographic area *in the EC*. In other words, the only way for a non-EC national to receive treatment no less favorable than EC nationals is, in effect, to become an EC national within the meaning of the TRIPS Agreement.

30. Therefore, it appears that, by definition, the only persons who can apply for GI registration under Articles 5 and 6 of the GI Regulation – the domestic track – are EC nationals, and that the solution for any non-EC national who wishes to take advantage of the domestic track is, in effect, to become an EC national. Plainly, the two separate tracks for registering GIs in the GI Regulation are directly linked to the nationality of the person seeking the registration and GI protection afforded by that registration.

31. The national treatment problem is equally apparent when viewed from the point of view of nationals of non-EC WTO Members. Such persons may well be nationals of those non-EC WTO Members purely because of their commercial establishment there, producing agricultural products.²⁸ Such persons – who are nationals of a non-EC WTO Member by virtue of their establishment in that Member producing agricultural products – are obviously relegated to the "foreign" track of GI Registration by virtue of that nationality.

32. In addition, any legal person producing or obtaining agricultural products and foodstuffs in a country will, as a practical and perhaps legal matter, become a juridical person of that country. Any such legal person established in a non-EC WTO Member producing agricultural products and foodstuffs in that Member is also relegated to the "foreign track" for GI registrations. And he is relegated to that foreign track because of where he has set up a legal status to enable him to produce such products, and therefore due to his status as a national of a non-EC WTO Member. Plainly, in this sense, the EC GI Regulation discriminates according to whether a producer of a GI product is an EC national or not.

²⁸ For example, at least in cases covered by Article 1.3, fn 1.

33. Second, Article 1.3 of the TRIPS Agreement provides that "the nationals of other Members shall be understood as those natural or legal persons that would meet the criteria for eligibility for protection provided in the Paris Convention (1967)." As the US discussed in its first written submission, in the context of protection against false indications of source, Article 10 of the Paris Convention provides that "an interested party" includes any producer engaged in production of goods that is established in the locality falsely indicated as the source of goods. This underscores the strong linkage between the persons claiming protection and the territories in which the geographical indications are established.

34. Moreover, Paris Convention Article 3 provides that nationals outside the Paris Union shall be treated as nationals of countries of the Union if they "are domiciled or who have real and effective industrial or commercial establishments in the territory of one of the countries of the Union." Therefore, even a non-WTO Member national who has a real and effective industrial or commercial establishment in a WTO Member must be treated as national of that WTO Member, and provided no less favorable treatment than EC nationals. The EC GI Regulation also creates a separate track for GI registrations for any such person with a real and effective industrial or commercial establishment producing GI products in a non-EC WTO Member.

35. In all of these respects, the EC GI Regulation creates separate tracks for the registration and protection of GIs that is intimately intertwined with the nationality of the person seeking the protection.

36. Finally, it is obvious that any regulation that provides for separate tracks for registering and protecting GIs that refer to regions outside the EC, on the one hand, and those that refer to regions in the EC, on the other, is creating distinct tracks for non-EC nationals and EC nationals. This is particularly true in the agricultural sector, where nationals involved in agricultural production – particularly of products that have developed over many generations a special reputation and characteristics linked to the region – overwhelmingly have an interest in GIs in the country of their nationality.²⁹ A significant part of the value of a GI is its strong link to the region and history of the producers in that region: the attraction of French GI CHAOURCE for cheese, for instance, is that it takes its name from the market town of Chaource and is allegedly the most famous artisanal cheese from the Champagne region of France. It has been produced by local farmers since the 14th century, who still use traditional techniques today. Similar considerations would apply to for products in the United States or elsewhere. As the EC itself has noted, "geographical indications are the common patrimony of all the producers of a certain area, and ultimately of the entire population of that area."³⁰ Similarly, EC Trade Commissioner Lamy, in a speech last year, described the benefits of geographical indication protection as follows:

the geographical indication is a kind of collective "mark" of the farmers and craftsmen of a region. It guarantees that the use of a name will remain attached to a region *and to the community* that saw its birth.³¹

Similarly, as mentioned before, the preamble to the EC GI Regulation cites the "considerable" benefit to the rural economy by "improving the incomes of farmers and by *retaining the rural population* in these areas."

²⁹ See, e.g., US Response to Panel Questions, para. 57, and Exhibit US-43, indicating that nationals generally have an interest in GIs referring to the territories of their nationality.

³⁰ First Written Submission of the EC, paragraph 307, 4th bullet point.

³¹ SPEECH/03/292 Pascal Lamy EU Trade Commissioner Creation of the Organisation Geographical Indications Network (ORIGIN) Brussels, June 11, 2003 (emphasis added). Exhibit US-49.

37. In this light, claiming that distinctions based on location of the geographical region in question has no relation to the nationality of the person producing the product, in the context of geographical indications, simply fails to recognize the reality of geographical indications.

38. The United States recalls that the *US – Section 337* panel specifically considered and rejected an argument that is similar to that presented by the EC in this dispute. In that dispute, the panel was reviewing whether the section 337 "procedures" for determining patent infringement with respect to imported products fell within the scope of Article III:4 of the GATT, *i.e.*, laws, regulations and requirements affecting the internal sale of imported products.³² The panel considered whether these procedures, which applied to "persons", not to "goods", nevertheless fell within the scope of the Article III:4 prohibitions on discrimination against imported goods. Interestingly, the EC itself argued in that case that "[t]here was no justification in the wording of Article III:4 for exempting from its application the rules of procedures of tribunals. Any such interpretation would enable contracting parties to take away, by openly discriminatory procedural rules applied to imports, almost all the benefits conferred by GATT."³³ The panel agreed, reasoning that:

Nor could the applicability of Article III:4 be denied on the ground that most of the procedures in the case before the Panel are applied to persons rather than products, since the factor determining whether persons might be susceptible to Section 337 proceedings or federal district court procedures is the source of the challenged products, that is whether they are of United States origin or imported.³⁴

39. Of course, this dispute, unlike *US – Section 337*, includes claims of discrimination as to nationals under the TRIPS Agreement as well as claims of discrimination as to goods under the GATT 1994. But nothing in *US – Section 337* would suggest that the GI Regulation should not be found to be inconsistent with both sets of obligations. Indeed, in that case, even though GATT Article III:4 addresses discriminatory treatment of products, the *Section 337* panel stated that "most of the procedures ... are applied to persons rather than to products", acknowledging that those procedures involving goods directly concerned, for the most part, persons.

40. One should also consider, as apparently did the panel in *United States – Section 337*, the consequences of finding that a regulation that does not literally and specifically discriminate purely according to nationality does not violate the national treatment obligations of the TRIPS Agreement and the Paris Convention. A WTO Member could discriminate against certain patent applications, based on where the application was first filed – for instance, subjecting all patents first filed abroad to higher fees. One should therefore beware of the EC's narrow interpretation of the national treatment obligation under the TRIPS Agreement and the Paris Convention, which could have the effect of rendering of little value an obligation that the Appellate Body has called "a fundamental principle of the world trading system"³⁵

41. The EC has suggested in its responses to the Panel's questions that somehow the fact that there is a national treatment obligation under GATT 1994 with respect to goods means that the national treatment obligation under the TRIPS Agreement should be more narrowly interpreted than it would be in the absence of such an obligation.³⁶ For instance, the EC cautions against "systematic overlap."³⁷ Similarly, the EC implies that, since the GI Regulation does not literally and specifically provide for different treatment according to the "nationality" of the rightholder, the Panel should focus

³² *US – Section 337*, para. 5.10.

³³ *US – Section 337*, para. 3.10.

³⁴ *US – Section 337*, para. 5.10.

³⁵ Appellate Body Report, *US – Section 211*, para. 233.

³⁶ EC Responses to Panel Questions, paras. 72-74.

³⁷ EC Responses to Panel Questions, para. 73.

on whether the formulation actually used in the GI Regulation was an attempt to "circumvent" the national treatment obligation.³⁸ Specifically, the EC contends that, because Article III of the GATT 1994 covers discrimination based on a product's origin, there is no issue of "circumvention" in this case, implying that this means that only a literal, express discrimination against other WTO nationals would violate the national treatment obligations under the TRIPS Agreement and the Paris Convention. These arguments are wrong.

42. First, the obligations under Article III:4 of the GATT 1994 are separate from those of Article 3.1 of the TRIPS Agreement and Article 2 of the Paris Convention, and the EC has an obligation to satisfy both sets of obligations. If there is a violation of national treatment under Article III:4 of the GATT 1994 – and the United States contends that there is – this does not mean that there is not also a violation of the national treatment obligations under the TRIPS Agreement and the Paris Convention. Indeed, in this case, there is a violation of both obligations. Further, the existence of an obligation under Article III:4 of the GATT 1994 does not automatically mean that the scope of the obligation under the TRIPS Agreement is narrower than it otherwise would be, and the EC has offered no basis for such a position. Finally, while attempts to "circumvent" the national treatment obligation may be relevant to whether a provision is inconsistent with that obligation, the issue in this dispute is not "circumvention", but rather, regardless of whether or not the GI Regulation literally uses the term "national", whether the GI Regulation accords less favorable treatment to non-EC nationals. In short, there is no basis for adopting a narrow interpretation of this fundamental TRIPS Agreement obligation.

43. The EC also states in its first written submission that the panel in *Indonesia – Autos* "cautioned against reading Article 3.1 TRIPS so as to apply to matters not directly related to the equal treatment of nationals."³⁹ But in that dispute, the panel was considering whether any measures of support not related to intellectual property – such as subsidies or customs tariffs – might give rise to a *de facto* violation of Article 3.1 of the TRIPS Agreement. This dispute, by contrast, concerns an intellectual property measure that does not provide the same access to the protection of intellectual property rights to non-EC nationals as it does to EC nationals. The issues in these two disputes are not at all comparable.

44. The EC GI Regulation makes a similar distinction between those who can object to the registration of a GI: Article 7(3) explicitly provides one track for persons who reside or are established in an EC member States; Article 12d explicitly provides another track for natural or legal persons of a WTO Member, whose objections are sent to the country in which they reside or are established. Just as in the case of registrations, these two tracks – domestic and foreign – distinguish between nationals of the EC, on the one hand, and nationals of non-EC WTO Members, on the other.

45. In sum, despite the EC's overly narrow and baseless interpretation of one of the most basic and fundamental obligations in the TRIPS Agreement, the Panel should find that the EC GI Regulation provides for different treatment for EC nationals, on the one hand, and non-EC nationals, on the other.

³⁸ EC Responses to Panel Questions, para. 73.

³⁹ EC First Written Submission, para 109.

B. THE EC GI REGULATION ACCORDS LESS FAVORABLE TREATMENT TO NATIONALS OF ALL NON-EC WTO MEMBERS THAT HAVE NOT ESTABLISHED EC-STYLE INSPECTION STRUCTURES

1. Requiring that WTO Member nationals demonstrate the existence of inspection structures that their governments have not established accords less favorable treatment to those nationals than to EC nationals

46. Under Articles 10 and 12a(2)(b) of the GI Regulation a WTO Member must establish specific inspection structures in its territory in order for its nationals to register and protect their GIs under the GI Regulation. The EC argues that the requirement for specific inspection structures in the country in which the GI is located is "equal" not "less favorable" treatment, because the EC also requires its member States to have those same inspection structures.⁴⁰ To paraphrase the panel report in *US – Section 337*, where there are differences in the legal provisions applying to non-EC nationals, on the one hand, and EC nationals, on the other, "given that the underlying objective is to guarantee equality of treatment, it is incumbent on the contracting party applying differential treatment to show that, in spite of such differences, the no less favourable treatment standard" is met.⁴¹

47. The EC has not shown that this standard is met. To the contrary, the requirement for specific inspection structures does not amount to "equal treatment" of non-EC nationals, because nothing in the TRIPS Agreement or elsewhere requires WTO Members to establish the specific inspection structures required by the EC. And, indeed, as discussed further below, many WTO Members, because of the way they choose under the TRIPS Agreement to protect geographical indications, have no such inspection structures. EC member States, by contrast, are required under the EC GI Regulation to establish such structures.⁴² Therefore, while EC nationals are all in a position to satisfy the "inspection structure" condition of the GI Regulation and can therefore register and protect their GIs, non-EC nationals cannot satisfy this condition – at least where the WTO Member concerned has not established the EC inspection structures – and are precluded from registering and protecting their GIs.

48. Therefore, requiring that a non-EC national demonstrate that his government has established the same specific inspection structures as EC member States provides less favorable treatment to that non-EC national than is provided to EC nationals. Simply stated, the national from a WTO Member that has not established such inspection structures is precluded from registering his GI in the EC. The United States submitted substantial information and arguments in its first written submission showing that a WTO Member cannot, consistent with the TRIPS Agreement and the Paris Convention, require that another WTO Member establish an equivalent system of GI protection as a precondition to granting GI protection to nationals of that WTO Member. The EC responded that WTO Members do not have to satisfy that condition, apparently because such a condition would be contrary to the TRIPS Agreement. But the requirement for specific inspection structures is merely equivalence by another name, and therefore also inconsistent with the TRIPS Agreement and the Paris Convention.

2. The EC inspection structure requirements are highly prescriptive, and go beyond simply assuring that the GI products meet the specifications

49. During the first Panel meeting, the EC suggested that the requirements for the inspection structures under Articles 10 and 12a of the EC GI Regulation were not unduly prescriptive, and the EC complained several times that complainants had not specified *which* particular aspects of the

⁴⁰ *E.g.*, EC First Written Submission, para. 121.

⁴¹ *United States – Section 337*, para 5.11 (emphasis added). That panel report was discussing the no less favorable treatment standard of Article III of the GATT, but the same principle would apply to the no less favorable standard of the TRIPS Agreement.

⁴² Article 10 of the EC GI Regulation.

inspection structures were objectionable. The pertinent issue, however, is not which aspects of the EC-mandated inspection systems are objectionable, but rather whether the EC can, consistent with the TRIPS Agreement, demand of WTO Members the establishment of the same particular inspection structures that the EC has chosen for itself as a precondition for granting TRIPS rights to that Member's nationals.⁴³ It cannot, because to do so is to accord less favorable treatment to nationals of WTO Members who have the right to choose the appropriate method of implementing its TRIPS obligations, and have not chosen such particular inspection systems to implement their obligations with respect to GIs.

50. The United States does not disagree that the EC can require, as a condition of registration, that a GI applicant assure that he is in a position to control the use of the GI, ensuring that products bearing the GI are entitled to it. Many countries require such assurances. If, once registered, the owner of the collective or certification mark is unable to control the use of the mark, the mark is subject to cancellation.⁴⁴ Similarly, as WIPO has noted, some WTO Members protect geographical indications through collective marks, in which a group of producers, for instance, in a particular geographical area, jointly own the mark and are entitled to use it.⁴⁵ Indeed, the EC has itself likened GI protection to protection offered by collective marks.⁴⁶ The requirements for registering a collective mark commonly include submitting the names of the persons entitled to use the mark, the conditions for membership in the organization, and the conditions for using the mark.⁴⁷

51. These requirements for registering certification marks and collective marks appropriately reflect that intellectual property rights are private rights⁴⁸ and that the owner of those rights are in the best position to ensure that the marks are used in a manner consistent with their specifications. More important, these are requirements that the person seeking protection is in a position to satisfy, unlike the EC GI Regulation's requirement that the government, not the person seeking protection, establish and be responsible for particular inspection structures. Such requirements that are within the power of the rightholder himself to satisfy do not present the same problems as requirements imposed, not on the rightholder, but on his government.

⁴³ The United States wonders if the EC would take the same position with respect to other intellectual property rights. For example, would the EC agree that a Member could require the EC to adopt specific inspection or other controls procedures before the Member would protect a trademark, copyright, or patent of an EC national?

⁴⁴ *E.g.*, UK Trade Marks Act of 1994, Schedule 2, Article 6 reads: "(1) An applicant for registration of a certification mark must file with the registrar regulations governing the use of the mark. (2) The regulations must indicate who is authorised to use the mark, the characteristics to be certified by the mark, how the certifying body is to test those characteristics and to supervise the use of the mark, the fees (if any) to be paid in connection with the operation of the mark and the procedures for resolving disputes. Further requirements with which they regulations have to comply may be imposed by rules." Exhibit US-50.

⁴⁵ WIPO Document SCT/8/4 (Exhibit US-5) and WIPO Document SCT/9/4 (Exhibit COMP-16).

⁴⁶ "The geographical indication is a kind of collective 'mark' of the farmers and craftsmen of a region." SPEECH/03/292 Pascal Lamy EU Trade Commissioner Creation of the Organisation Geographical Indications Network (ORIGIN) Brussels, June 11, 2003. Exhibit US-49.

⁴⁷ *E.g.*, EC Regulation 40/94, Article 64(2) "In derogation from Article 7(1)(c), signs or indications which may serve, in trade, to designate the geographical origin of the goods or services may constitute Community collective marks within the meaning of paragraph 1." OHIM Examination Guidelines on Community Collective Marks, Section 11.5.1 "An applicant for a collective mark must submit regulations governing its use." Section 11.5.2 "The regulations must specify: a) the name of the applicant's organisation and the address of its office; b) the object of the organisation; c) the bodies authorized to represent the organisation; d) conditions for membership; e) the persons authorized to use the mark; f) if there are conditions for use of the mark, including sanctions, these must be included; and g) if the mark designates the geographical origin of the goods or services, authorization for any person whose goods or services originate in the geographical area concerned to become a member of the organization." See discussion above for relevant US regulations.

⁴⁸ TRIPS Agreement preamble, third "Recognizing" clause.

52. The EC has suggested in its responses to the Panel's questions that the specific requirements for inspection structures are flexible. But the EC has overstated this flexibility. First, the EC states at paragraph 129 of its responses to the Panel's questions that "[t]he EC merely requires that the conditions of Regulation 2081/92 regarding product specifications and inspections are met as regards the specific product for which protection is sought." This implies that an inspection structure that is limited to ensuring compliance with the particular specifications for the individual GI for which registration is sought satisfies the Article 12a(2) requirement. This impression is encouraged by the EC's further response to the Panel at paragraph 131 that "it is not excluded" that the holder of a certification mark outside the EC could function as an inspection structure "[i]f the holder is not itself a producer or processor, and is independent of them... Otherwise, it would be necessary to establish an independent inspection structure which offers the necessary guarantees of independence and impartiality."

53. This response ignores two facts. First, Article 12a(2) specifically requires a declaration by the WTO Member that the "structures provided for in Article 10 are established in its territory". The structures provided for in Article 10 require inspection structures that ensure that agricultural products and foodstuffs bearing a protected name meet the requirements laid down in specifications. This is a requirement for a broad inspection structure capable of performing this function for all agricultural products and foodstuffs. A certification or collective mark holder, by contrast, would only ensure compliance with his particular mark. Second, Article 10 requires much more than a general "guarantee of independence and impartiality." Rather it imposes specific requirements that go far beyond what is necessary to assure the integrity of the geographical indication. It requires that the inspection authority have qualified staff and resources "permanently at their disposal" to carry out inspections. The inspection authority must be able to take steps "necessary to ensure that [the GI Regulation] is complied with;"⁴⁹ if the inspection authority is a private body, it must fulfill the requirements of a European standard for inspection authorities (standard EN 45011), and must "continue to be responsible *vis-a-vis* the EC member State"⁵⁰ for all inspections."

54. In sum, and contrary to the EC's responses to the Panel, it does not appear that, under the GI Regulation, a certification mark holder would satisfy the requirements for an inspection structure under the EC GI Regulation. And yet, as discussed above, that certification mark holder would satisfy the requirements imposed upon it by a WTO Member that protects geographical indications through a certification mark system.

55. But even if certain certification mark holders might qualify as inspection authorities under the EC GI Regulation, the requirement that the WTO Members establish the EC inspection structures still provides less favorable treatment to non-EC nationals, for two reasons.

56. First, the EC GI Regulation does not merely require assurances that the specifications in the GI application will be complied with and that there are rules to ensure that compliance.⁵¹ Rather, it requires that the government of the WTO Member itself assure that compliance. This is clear from the GI Regulation's requirement, under Articles 10 and 12a, that it is the WTO Member concerned that must declare to the EC that the Article 10 inspection structures are established in its territory, and from the requirement that private inspection bodies continue to be responsible to the WTO Member for all inspections.⁵² But other WTO Members may not have a system where they are directly

⁴⁹ This is a broader responsibility than simply ensuring that the products meet the specifications, and would appear to include the enforcement of the GI rights provided for in Article 13 of the EC GI Regulation.

⁵⁰ A requirement that the United States assumes should be read as a reference to the relevant WTO Member.

⁵¹ As discussed above, such a requirement is common with respect to applications for certification and collective marks, both in the United States and in the EC.

⁵² Article 10(3) of the EC GI Regulation.

involved in the inspections, or where the private inspection authorities are "responsible" *vis-a-vis* the government for all inspections. Rather, as noted above, some WTO Members rely on a system in which the certification or collective mark holders themselves ensure that a certification or collective mark is being used in conformity with the terms of its issuance. The nationals of any such WTO Members are thus unable, under the GI Regulation, to register and protect their GIs in the EC.

57. Second, although an inspection authority that is completely independent of the producers and directly responsible to the government is one way assure that the specifications for the GI are met, but it is not the only way. The EC's recent response that certification mark owners might qualify as Article 10 inspection authorities – because they themselves do not produce the subject product – would appear to exclude other GI rightholders who are able to assure the integrity of their GI. One example is collective mark owners, who may both own a mark protecting a geographical indication, and police compliance with that mark.⁵³ Collective marks can be owned collectively by all producers in a particular region, and so are a good fit for protecting geographical indications.⁵⁴ Under the EC's own analysis, however, it would appear that, in the absence of a separate additional inspection structure as to the specific product, directly responsible to the US Government, collective owners of a GI in the United States would not be able to register their GI in the EC. Yet collective mark owners have as much of an interest in protecting the integrity of their mark as certification mark owners. While collective mark owners may not have a separate and independent inspection structure responsible to the government, they do generally have a rules for admission to the collective organization, the members of which are then authorized to use the mark upon admission (and compliance with the rules for the use of the mark). There is no reason that such a system should be considered *a priori* inadequate to qualify for an EC GI Registration.

58. Further, the United States is not alone in its requirements for collective marks. The EC Trademark Directive allows the registration by EC member States of terms that designate the geographical origin of the goods as both guarantee or certification marks *and* as collective marks.⁵⁵ In addition, since the Paris Convention requires the protection of collective marks, and since, as WIPO has noted, many WTO Members protect GIs through collective marks, it would appear that the same requirements that ensure the integrity of collective marks should assure the integrity of registered GIs. In other words, it should be sufficient under the EC GI Regulation that the owner of the collective mark can show that the product meets the definition of GI in Article 2 of the EC GI Regulation and can give appropriate assurances that he exercises control over the use of the mark of the goods produced to ensure compliance with the standards of the collective.

59. Nor are the examples of certification and collective marks exhaustive. In the United States and other WTO Members, common law GI owners – that is, those owners that have acquired rights in GIs through use, as well as those GI owners protecting their GIs through unfair trade statutes – may also have their own internal quality control system that ensures adequate control over the use of the GI.

⁵³ In the United States, for instance, the Lanham Act provides that the owner of a certification mark cannot use the mark on goods, but only for advertising (anti-use by owner rule). In contrast, the owner of a collective mark is not barred from using the collective mark as a trademark for goods. "... [T]he collective itself may also use the same mark as a trademark for the goods covered by the collective trademark or service mark. See TMEP §1305. The 'anti-use by owner' rule of §4 of the Trademark Act, 15 US C. §1054 does not apply to collective marks." TMEP 1303.01.

⁵⁴ See Footnote 43, SPEECH/03/292 Pascal Lamy EU Trade Commissioner Creation of the Organisation Geographical Indications Network (ORIGIN) Brussels, June 11, 2003.

⁵⁵ Article 15 of the First Council Directive of 21 December 1988 to approximate the laws of the Member States relating to registered trademarks (89/104/EEC), OJ L 40, February 2, 1989, p. 1. Exhibit COMP-7.a.

60. In sum, the EC cannot require a WTO Member to establish and enforce an EC-style inspection structure as a precondition to that WTO Member's nationals being able to register and protect GIs in Europe. Such a requirement is inconsistent with the EC's WTO obligation to provide non-EC nationals treatment no less favorable than that accorded its own nationals, and is at odds with the status of GIs as private rights.

61. It is worth highlighting that the United States is not challenging in this dispute the EC basic standard for what constitutes a GI. The US position is that if a product meets that standard – *i.e.*, is an agricultural product or foodstuff originating in a region outside the EC which possesses a specific quality, reputation or other characteristics attributable to that geographic origin – the non-EC national should be able to register and protect it in the EC under the GI Regulation, regardless of whether his home government has established the same inspection structures as the EC member States.

62. In brief, the EC's requirement that the United States establish EC-style inspection structures to enforce GIs is simply equivalence by another name: the EC will not protect the GIs of US nationals unless the United States establishes the same inspection structures, with the same responsibilities and resources, that are required of EC member States. But other WTO Members have the freedom under the TRIPS Agreement to set up a system that is different from the EC's for protecting GIs, and the EC cannot make protection of GIs conditional on other Members' adopting an EC-style system. The United States, for one, has not adopted the EC's approach to protecting GIs, and does not require an EC-style inspection structure. This fact, however, should not prevent US nationals from obtaining GI protection in the EC on the same basis as EC nationals.

C. THE EC GI REGULATION ACCORDS LESS FAVORABLE TREATMENT TO NATIONALS OF ALL OTHER WTO MEMBERS THAT DO NOT OR CANNOT EVALUATE AND PROCESS EC GI REGISTRATION APPLICATIONS OR OBJECTIONS AND ADVOCATE TO THE EC ON BEHALF OF ITS NATIONALS

63. Two things have become apparent in connection with the EC GI Regulation's requirement that only WTO Members, and not their nationals, are able to submit GI registration applications and objections to the EC. (This is in contrast to the situation for EC nationals, for whom the GI Regulation provides a direct means to submit applications and objections). First, this requirement imposes a significant burden on the WTO Member involved – a burden that many may be unable to assume – resulting in a lack of access to the EC GI system by their nationals. Second, this requirement for national government intervention is both unwarranted and unnecessary. The result is that nationals of non-EC WTO Members are unnecessarily denied the same access to the EC GI system that EC nationals have.

1. The EC GI Regulation imposes a significant burden on other WTO Members to administer and enforce the Regulation

64. With respect to the first point, it is plain that, under the GI Regulation, WTO Members must play a substantial and active role in trying to convince the EC to accept the GI registration applications and objections of its nationals, submitting themselves to the EC's authority and committing themselves to administer and enforce the EC GI Regulation in their territory. With respect to GI registration applications, Article 12a(2) of the GI Regulation would require the United States to (1) make a determination that the requirements of the GI Regulation are satisfied; (2) provide a description of the legal provisions and usage on the basis of which the geographical indication is protected or established in the United States; (3) make a declaration that the full inspection structures for agricultural products and foodstuffs are established in the United States (*i.e.*, the same inspection structures required of EC member States); and (4) submit other documentation that would support the application. The United States notes that this is not a simple matter, because it is not even clear on

what basis a US government authority would be in a position to assess whether the application meets the requirements of the EC GI Regulation.

65. Nevertheless, in response to the Panel's question, the EC made clear that this obligatory evaluation of an EC GI registration application by the WTO Member would require substantial work and expertise. In explaining why the EC GI Regulation required that WTO Members evaluate the EC GI applications, the EC stated:

80. First, the evaluation of whether a name fulfils the conditions for protection as a geographical indication requires familiarity with a host of geographical, natural, climatic and cultural factors specific to the geographical area in question. Moreover, knowledge of the market conditions in the country of origin may also be required, e.g. in order to establish whether the product in question has a particular reputation. Like in the case of applications from Member State, it is the third country's authorities which are best placed to evaluate such factors... .

81. Second, the evaluation of the application may require the assessment of legal questions arising under the law of the country where the area is located. In particular, Article 12a of the Regulation requires the application to be accompanied by a description of the legal provisions and the usage on the basis of which the geographical indication is protected or established in the third country. The Commission cannot unilaterally resolve such issues pertaining to the law of a third country, which therefore necessarily require the implication of the authorities of the third country.

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

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

84. Fifth, the involvement of the third country authorities should also be beneficial to the applicant. Regulation 2081/92 effectively enables the applicant to discuss, prepare, file, and where necessary refine and amend his application directly with the authorities where the geographical area is located. Since these authorities are more familiar with the area in question, this should help speed up the registration process. Moreover, frequently these authorities may be geographically closer to the applicant and may speak the applicant's language, which may also be a further benefit to the applicant.⁵⁶

⁵⁶ EC Responses to Questions of the Panel, paras. 82-84.

66. By its own admission, the EC is placing a substantial burden on other WTO Members to administer and enforce the EC's GI Regulation – and the EC will not register the GI of any national whose home government does not agree to shoulder this burden. Indeed, it would appear that the EC is envisioning not so much the transmission of an application as it is an in-depth analysis of whether the EC GI Regulations requirements are met – including on-site verifications – and, significantly, on-going discussions or negotiations with the EC throughout the process concerning whether the registration applications would be accepted. The EC made a similar point with respect to the need for WTO Members to process objections to GI registrations on behalf of its nationals.⁵⁷

67. This process resembles more the submission of one government to another government's unilateral assertion of authority it does an application for protection, or an objection, from a private GI rightholder. It is also very different from EC and member State rules concerning the filing of applications for collective and certification marks, which do not require any government involvement at all on behalf of the applicant.⁵⁸

68. In any case, a national from a WTO Member that does not have a mechanism for undertaking all that the EC is requiring with respect to applications and objections does not have access to the EC registration system for protecting GIs or for objecting to GIs. By contrast, an EC national seeking to have his home-based GI protected or to object to a GI registration has a pre-established mechanism for doing so through the EC GI Regulation, which requires EC member States to process such applications and objections.

69. In sum, the EC GI Regulation accords less favorable treatment to non-EC nationals than it accords to EC nationals with respect to the protection of geographical indications.

70. The EC has responded that this is equal treatment, not less favorable treatment, because EC nationals also have to send registration applications and objections through their member States.⁵⁹ The United States recalls again that it is up to the EC to demonstrate that different procedures applied to non-EC nationals as compared to EC nationals do not amount to "less favorable treatment."⁶⁰ In fact, the EC's assertion of "equality" is incorrect, because, just as in the case of inspection structures, EC member States are required by the GI Regulation to process the applications and the objections, and so EC nationals are directly provided the ability to register their GIs and object to the registration of GIs. Other WTO Members have no such obligation – under the TRIPS Agreement or elsewhere – and therefore the GI Regulation accords less favorable treatment for the nationals of those Members that do not "comply" with the EC GI Regulation.

71. The EC has also responded that any WTO Member's "unwillingness" to "cooperate" means that any resulting less favorable treatment is due to "their own attitude", and not to the GI Regulation.⁶¹ With all due respect, the EC has provided the direct means for its own nationals to apply for the registration of GIs and to achieve EC-wide protection of those GIs. It has also provided the direct means for its nationals to object to the registration of GIs. It has provided none of this for non-EC nationals. To the contrary, it has erected enormous barriers to those nationals – effectively requiring unilaterally that other WTO Members administer and enforce the EC GI Regulation which, the EC's protestations notwithstanding⁶² impose a considerable burden on those WTO Members, and is not required by any WTO Agreement.

⁵⁷ EC Response to Questions of the Panel, para. 87.

⁵⁸ See discussion under section III.B.2 above.

⁵⁹ E.g., EC First Written Submission, para. 129.

⁶⁰ See *US – Section 337*, para. 5.11.

⁶¹ EC Response to Questions of the Panel, para. 55.

⁶² E.g., EC First Written Submission, para. 130.

72. The national treatment violation is, therefore, not due to the US "attitude", or the "attitude" of all other WTO Members that have not "complied" with the unilateral requirements of the EC, but rather to the barriers erected against non-EC WTO Member nationals in the GI Regulation.

2. The GI Regulation's requirement for extensive WTO Member involvement is unwarranted and unnecessary

73. With respect to the second point noted above, it is simply untrue that the extensive involvement of WTO Members is necessary or even appropriate in the process of either registering a GI or objecting to the registration of a GI. In the case of the United States, where GIs for agricultural products and foodstuffs are protected through collective marks and certification marks, the US government does not have any specialized knowledge or expertise that would render it better qualified than the rightholder, or, indeed, the EC, to make representations as to whether the specifications submitted by the rightholder meet the requirements of the EC GI Regulation. Indeed, to the contrary, it would seem that the EC, and not the United States Government, would be in a position to make that determination, particularly, for instance, with respect to whether a US GI has a reputation in the EC market. The GI applicant in the United States knows best the characteristics of his product that render it eligible for protection under the GI Regulation, and knows best what specifications under Article 4 of the GI Regulation his product meets. The EC should assess whether those specifications submitted by the applicant meet the EC's GI Regulation requirements on their own merits, without the intercession or intermediation of the United States Government. Indeed, this is precisely what the United States does in considering whether to register a certification or collective mark referring to a geographic area – including, significantly, registration applications received from EC nationals referring to areas in the EC. The USPTO relies on the declarations and representations of the certification or collective mark holder and relies on competitors in the marketplace to challenge the registration if the owner fails to uphold the standards provided for in the registration.⁶³ This is also the practice of other jurisdictions which accept certification marks and collective marks for registration and which protect geographical indications through such marks.

74. In sum, it is neither appropriate nor necessary for the EC GI Regulation to require that other WTO Members administer and enforce the GI Regulation, and the condition that those Members do so results in less favorable treatment being accorded to their nationals than to the nationals of the EC.

D. THE REQUIREMENT THAT NON-EC GEOGRAPHICAL INDICATIONS – BUT NOT EC GEOGRAPHICAL INDICATIONS – BEAR A COUNTRY OF ORIGIN MARKING PROVIDES LESS FAVORABLE TREATMENT TO NON-EC NATIONALS THAN TO EC NATIONALS WITH REGARD TO THE PROTECTION OF GEOGRAPHICAL INDICATIONS.

75. The United States has argued that Article 12(2) of the EC GI Regulation imposes a special rule that non-EC GI names can be authorized only if the country of origin is visibly indicated on the label. The EC's two responses and the US rebuttals are as follows.

⁶³ For example, the US Trademark Act provides that "any person who believes that he is or will be damaged...by the registration of a mark" may file a petition to cancel the registration of a mark. A certification mark registration may be challenged on the "ground that the registrant (A) does not control, or is not able legitimately to exercise control over, the use of such mark, or (B) engages in the production or marketing of any goods or services to which the certification mark is applied, or (C) permits the use of the certification mark for purposes other than to certify, or (D) discriminately refuses to certify or to continue to certify the goods or services of any person who maintains the standards or conditions which such mark certifies." 15 US C. Section 1064(5).

76. First, the EC argues that this requirement applies only where a third country name is identical to an EC name.⁶⁴ The United States notes, however, that this requirement for a country of origin indication, although it appears in Article 12(2) after a discussion of identical names, is set apart as a separate, albeit unnumbered, paragraph under Article 12, which addresses third country GIs in general. Thus, it appears to relate to all third country GIs, and not just to third country GIs that are identical to EC GIs.

77. Second, the EC claims that this rule applies to both EC and non-EC products equally. The United States notes, however, that the provision at issue falls under Article 12, which relates to the conditions of registration of non-EC GIs, not of EC GIs. The United States notes further that there appears to be no support in the text of the Regulation for the EC's assertion that the country of origin requirement applies to whichever GI – EC or third country – is registered later in time. That provision appears, rather, to be directed solely at the authorization of third country GIs. Therefore, if a third country GI is registered first, and then an application for an identical EC name is received, it is not clear on what basis the EC authorities would refer to Article 12 at all to determine under what conditions the EC name can be authorized.

78. Consequently, the requirement that non-EC geographical indications – but not EC geographical indications – bear a country of origin marking results in less favorable treatment of non-EC nationals than of EC nationals with regard to the protection of geographical indications

E. THE EC GI REGULATION REQUIRES DOMICILE OR ESTABLISHMENT IN THE EC AS A CONDITION FOR THE ENJOYMENT OF GI RIGHTS, CONTRARY TO THE OBLIGATION OF ARTICLE 2(3) OF THE PARIS CONVENTION

79. For those nationals from WTO Members who do not comply with the requirements of the EC GI Regulation, the only way to enjoy their intellectual property rights with respect to geographical indications is to become established or domiciled in the EC, and therefore to qualify directly to object to the registration of GIs under Article 7(3) of the GI Regulation, or to produce or obtain the products (for which they seek GI protection) in the EC. This is contrary to its Paris Convention obligation under Article 2(2) not to impose any requirement as to domicile or establishment in the EC "for the enjoyment of industrial property rights." The EC has two responses: first, a technical one that this plain violation is outside the Panel's terms of reference, so the Panel cannot consider it.⁶⁵ Second, that a requirement that a legal person produce or obtain a product in the EC is not a requirement of "establishment" in the EC. Further, the EC apparently argues – somewhat surprisingly – that the requirement that, in order for a person to object to a registration under Article 7 of the GI Regulation, he must apply to the member State in which he "resides or is established"⁶⁶ is also not a requirement of "domicile or establishment."⁶⁷ Both of these arguments are baseless.

1. Article 2(2) of the Paris Convention is within the Panel's terms of reference

80. The US panel request contained both a statement that the GI Regulation failed to accord national treatment to non-EC nationals and a specific reference to Article 2 of the Paris Convention, a reference that plainly includes both paragraphs 1 and 2 of Article 2.⁶⁸ Neither paragraph uses the precise term "national treatment", but both together define that obligation. The non-establishment requirement of Article 2(2) follows immediately after Article 2(1), linked by the word "however", which indicates that what follows is connected to and part of the obligation in Article 2(1).

⁶⁴ *E.g.*, EC First Written Submission, para. 133.

⁶⁵ EC First Written Submission, para. 42.

⁶⁶ EC GI Regulation, Article 7(3).

⁶⁷ EC First Written Submission, paras. 188-189.

⁶⁸ WT/DS174/20, August 19, 2003.

Article 2(1) specifically provides that the same advantages must be provided to other nationals as to one's own nationals; and Article 2(2) specifies that a Member may not require domicile or establishment as a condition for the enjoyment of industrial property rights.

81. The link between these two paragraphs and their importance to "national treatment" is emphasized by this very proceeding. As the United States argued in its first submission, requiring an effective establishment in the EC as a precondition to obtaining GI protection is tantamount to a requirement that, in order to receive national treatment, a legal person must, in effect, become an EC national. In other words, the GI Regulation's requirement for a commercial establishment in Europe as a precondition to claiming the same rights as nationals is simply another aspect of its denial of national treatment to nationals of other WTO Members, a claim clearly within this Panel's terms of reference.

82. In addition, the United States notes that the entirety of Article 2 of the Paris Convention – not just Article 2(1) – is provided an annotated title "National Treatment for Nationals of the Countries of the Union" in the WIPO-published versions of the Convention. Finally, one of the main thrusts of the US complaint against the EC GI Regulation is that, to receive GI protection under the Regulation, persons have to set up a legal entity producing or obtaining products *in the EC*. Legal entities producing or obtaining products outside the EC are denied access to this system (barring compliance with substantial requirements by the WTO Member concerned). It can hardly be a surprise to the EC that the United States is claiming, as one aspect of its violation of national treatment obligations, that the EC is requiring establishment in the EC, in violation of Article 2(2) of the Paris Convention.

83. In short, because both the narrative description and the specific citation to Paris Convention Article 2 in the US Panel request include the obligations in Article 2(2), and because the EC clearly was aware of the nature of the US complaint, and could not have suffered any prejudice, the US claims under Article 2(2) are entirely within this Panel's terms of reference.

2. Nationals of WTO Members who do not comply with the EC GI Regulation's requirements must be domiciled or established in the EC in order to enjoy the GI rights provided under the EC GI Regulation

84. The EC's responses to this argument miss the mark. With respect to eligibility for registering GIs, the EC's primary argument is to claim, with no analysis or conclusion, that the "business establishment" in the EC, *inter alia*, growing agricultural products in the EC, would not "appear to constitute 'an establishment' within the meaning of Article 2.2 of the Paris Convention."⁶⁹ The United States submits that, to the contrary, and the EC's unsupported assertion notwithstanding, a requirement to establish a business producing or obtaining agricultural products and foodstuffs in the EC is a requirement of "establishment" in the EC. Indeed, as discussed above in section II.A ("The EC GI Regulation discriminates based on nationality"), the EC's requirement appears to be tantamount to a requirement that the non-EC national – with a real and effective commercial establishment producing agricultural products in a non-EC WTO Member – set up a real and effective commercial establishment in the EC as a condition for taking advantage of the "domestic" track for GI Registration.

85. The EC also claims that the US is in effect arguing that geographical indications should be protected even if the products in question do not originate in the area in question.⁷⁰ This is untrue. What the United States is arguing is that the EC cannot require that the geographical area to be protected be *in the EC*. Yet, for any national from a WTO Member that does not comply with the GI Regulation's requirements, that is precisely what the EC is requiring.

⁶⁹ EC First Written Submission, para. 181.

⁷⁰ EC First Written Submission, para. 186.

86. Finally, with respect to the right of objection, the EC claims that the GI Regulation simply *allows* persons from other WTO Members to object to registrations.⁷¹ This response misses the point. Nationals from WTO Members who do not assess objections from their nationals for compliance with the GI Regulation *must* reside or become established in the EC in order to object under the Article 7 objection procedures.⁷² This is plainly a requirement of domicile of establishment in the EC for the enjoyment of an industrial property right.

F. THE EC GI REGULATION IMPOSES ADDITIONAL REQUIREMENTS ON NON-EC NATIONALS DESIRING TO OBJECT TO THE REGISTRATION OF A GI THAT ARE MORE BURDENSOME THAN THOSE IMPOSED ON EC NATIONALS

87. In addition to the above inconsistencies with the EC's national treatment obligations, the US first written submission explained that, while non-EC nationals must have a "legitimate interest" under Article 12d in order to object to the registration of an EC-based GI, an EC national wishing to object under Article 7(3) may do so if it is merely "legitimately concerned".⁷³ In addition, because the GI Regulation accords more favorable treatment to EC nationals than to non-EC nationals with respect to the registration and protection of GIs, it is harder for non-EC nationals than EC nationals to have a "legitimate interest" or a "legitimate economic interest" that would serve as grounds for objection under 12d.

88. The EC's sole response to this claim⁷⁴ is that there is no difference between the two standards. The United States submits, however, that a person may be "concerned" without his concern rising to the level of a "legitimate interest". An "interest", as a noun, generally implies some right to property or to a use or benefit relating to property. "Concerned" by contrast, is broader, and encompasses "interested, involved, troubled, anxious, showing concern."⁷⁵ The "legitimate interest" standard for non-EC nationals was introduced in April 2003. If the standard were the same as "legitimately concerned" it would have been logical to use the same words to describe it, instead of words that state a more restrictive standard. In the face of this plain difference in language, the EC has not sustained its burden of rebutting the presumption that this amounts to less favorable treatment of non-EC nationals.

IV. THE EC GI REGULATION IS INCONSISTENT WITH THE NATIONAL TREATMENT OBLIGATIONS OF THE GATT 1994

A. THE EC GI REGULATION'S REQUIREMENTS THAT OTHER WTO MEMBERS ESTABLISH SPECIFIC INSPECTION STRUCTURES AND BECOME ACTIVE PARTICIPANTS AND ADVOCATES IN PROSECUTING ITS NATIONALS' GI REGISTRATIONS AND OBJECTIONS ACCORDS LESS FAVORABLE TREATMENT TO NON-EC PRODUCTS THAN IT DOES TO EC PRODUCTS.

89. In its first written submission, the United States showed that the EC GI Regulation was inconsistent with the EC's obligation under Article III:4 of the GATT 1994 to accord no less favorable treatment to products originating in the territory of other Members than it accords to like products of national origin. The EC does not contest that the imported products are "like" domestic products,⁷⁶ and does not contest that the EC GI Regulation is a measure that falls within the scope of

⁷¹ EC First Written Submission, para. 189.

⁷² EC GI Regulation, Article 7(3).

⁷³ US First Written Submission, para. 93-94.

⁷⁴ EC First Written Submission, para. 151.

⁷⁵ *New Shorter Oxford English Dictionary* (Fourth Edition, 1993), pp. 467 ("concerned") and 1393 ("interest").

⁷⁶ EC First Written Submission, para. 195.

Article III:4.⁷⁷ The only issue, therefore, is whether the EC GI Regulation accords imported products "less favorable treatment" than that accorded to the like domestic products.⁷⁸

90. The EC contends that it does not, for the same reasons that it does not accord "less favorable treatment" to nationals of other WTO Members under the TRIPS Agreement: (1) there is no reciprocity and equivalence requirement for WTO Members; and (2) the requirement for inspection structures and the requirement that WTO Members themselves process GI registration applications and objections constitutes "equal" not "less favorable" treatment for products of non-EC origin.⁷⁹ The first of these arguments has been addressed above, and will not be addressed separately here.

91. The EC's argument that the treatment accorded non-EC products is "equal" to that accorded EC products is not correct. First, that the EC has chosen to establish particular inspection structures in the EC in order to ensure that EC producers comply with the EC GI Regulation does not mean that it is "equal treatment" of like products to impose the requirement for the same inspection structures on other WTO Members. To the contrary; to do so is to condition the granting of GATT 1994 Article III:4 rights on the WTO Member in question adopting the same compliance structure as the EC. This is precisely the "reciprocity" and "equivalence" conditionality that the national treatment obligation was designed to avoid.

92. A product from the United States that meets the requirements of the GI Regulation – that is, an agricultural product or foodstuff originating in a region of the United States which possesses a specific quality, reputation or other characteristics attributable to that geographic origin – must, under Article III:4 of the GATT 1994, be accorded no less favorable treatment than an EC product that meets those requirements. But under the GI Regulation, an EC product that qualifies for protection due to characteristics attributable to its origin can be registered and protected under the EC GI system. By contrast, a US product that similarly qualifies for registration and protection due to characteristics attributable to its origin is denied registration and protection in the EC. This is *not* because the product itself does not possess the necessary characteristics related to its origin. Rather, it is because the United States has not established the EC-mandated inspection structures.

93. In other words, a qualifying EC-origin product can be registered and protected under the EC GI Regulation, while a US product that is "like" that EC product in every respect is denied access to that system. And, of course, the consequence of registration and protection – denied the US product but granted the EC like product – is all of the competitive advantages and benefits bestowed on GI products under the EC system.⁸⁰

94. The United States submits that this amounts to treatment of non-EC products that is significantly less favorable than treatment accorded EC products, contrary to Article III:4 of the GATT 1994.

95. Second, and similarly, the requirement that WTO Members themselves become active participants and advocates for their nationals in analyzing and submitting GI registration applications and objections also amounts to less favorable treatment of non-EC products. As just discussed, a US product that meets the requirements of the EC GI Regulation should be eligible to be registered and protected under that Regulation. The requirement that the WTO Member have substantial participation in this process – a requirement imposed unilaterally by the EC and not otherwise required by any WTO agreement – is both burdensome and unnecessary, and acts as an additional

⁷⁷ EC First Written Submission, para. 194.

⁷⁸ See Appellate Body Report, *Korea – Various Measures on Beef*, para. 133.

⁷⁹ See EC First Written Submission, para. 207; First Oral Statement, paras. 71 and 45.

⁸⁰ These benefits were detailed in the US First Written Submission, *e.g.*, at paras. 28-30 and 61-62, and will not be repeated here.

barrier to non-EC goods seeking access to the EC GI system. This is not a barrier faced by EC goods, because the EC GI Regulation itself mandates authorities in the EC to process applications and objections.

B. THE REQUIREMENT THAT NON-EC PRODUCTS BE ENCUMBERED BY A COUNTRY OF ORIGIN INDICATION ON THE LABEL IS INCONSISTENT WITH THE NATIONAL TREATMENT OBLIGATIONS OF THE GATT 1994

96. The United States has argued that Article 12(2) of the EC GI Regulation imposes a special rule that non-EC GI names can be authorized only if the country of origin is visibly indicated on the label. The EC's three responses and the US rebuttals are as follows.

97. First, the EC argues that this requirement applies only where a third country name is identical to an EC name.⁸¹ As above, the United States notes, however, that this requirement for a country of origin indication, although it appears in Article 12(2) below a discussion of identical names, is set apart as a separate, albeit unnumbered, paragraph under Article 12, which addresses third country GIs in general. Thus, it appears to relate to *all* third country GIs, and not just to third country GIs that are identical to EC GIs.

98. Second, the EC claims that this rule applies to both EC and non-EC products equally. Again, as above, the United States notes that the provision at issue falls under Article 12, which relates to the conditions of registration of non-EC GIs, not of EC GIs. The United States notes further that there appears to be no support in the text of the Regulation for the EC's assertion that the country of origin requirement applies to whichever GI – EC or third country – is registered later in time. That provision appears, rather, to be directed solely at the authorization of third country GIs, regardless. If a third country GI is registered first, and then an application for an identical EC name is received, it is not clear on what basis the EC authorities would refer to Article 12 to determine under what conditions the EC name can be authorized.

99. Finally, the EC argues, in effect, that a special country of origin labeling requirement cannot be inconsistent with national treatment obligations, because Article IX:1 of the GATT 1994 contains only an MFN obligation, and not a specific national treatment obligation, with respect to "marking requirements". But the EC's argument ignores the fact that the EC GI Regulation does not contain a general "marking requirement" for goods. Rather, it is a special rule that is triggered by the fact that a third country product is being authorized to use a protected GI name, and is intended to encumber the non-EC GI, while not so encumbering the EC GI. The United States does not believe that, under these circumstances, the EC is exempt from its obligation to provide no less favorable treatment to non-EC products.

C. THE EC HAS PRESENTED NO INFORMATION WHATSOEVER THAT THE INCONSISTENCIES WITH GATT 1994 ARTICLE III:4 ARE EXCUSED BY ARTICLE XX(D) OF THE GATT 1994

100. The United States presented information and arguments showing that the EC GI Regulation is inconsistent with the EC's national treatment obligations under Article III:4 of the GATT 1994. In addition to its general denials that there is less favorable treatment of non-EC products, the EC has also suggested, in a conclusory fashion, that any such inconsistency would be excused by Article XX(d) of the GATT 1994.⁸² As the party asserting that its GI Regulation falls within the scope of the Article XX exceptions, it is the EC, as the party asserting the defense, that bears the burden of proof. As the Appellate Body noted in *Japan – Apples*, "although the complaining party

⁸¹ EC First Written Submission, para. 137.

⁸² EC First Written Submission, para. 226.

bears the burden of proving its case, the responding party must prove the case it seeks to make in response."⁸³ The Appellate Body also noted in *United States – Shirts and Blouses*, page 14, that:

the burden of proof rests upon the party, whether complaining or defending, who asserts the affirmative of a particular claim or defence. If that party adduces evidence sufficient to raise a presumption that what is claimed is true, the burden then shifts to the other party, who will fail unless it adduces sufficient evidence to rebut the presumption." (footnotes omitted)

101. The EC's entire submission to this Panel with respect to Article XX(d) is that

The requirements at issue are necessary in order to ensure that only those products which conform to the definition of geographical indications contained in Article 12(2) of Regulation 2081/92, which is itself fully consistent with the GATT, benefit from the protection afforded to geographical indications by Regulation 2081/92.⁸⁴

102. But this is little more than an imprecise paraphrasing of Article XX(d) itself. There is no explanation of, or information concerning, how the WTO Member's significant involvement in the GI Registration application process – including the declarations that the WTO Member must make to the EC – or its involvement in the "objection" process is "necessary" to "secure compliance" with WTO-consistent laws or regulations, which is the limited basis on which Article XX(d) permits an exception to GATT 1994 obligations. Nor has the EC explained how the particular inspection structures it is requiring as a precondition to the registration of non-EC GIs are "necessary to ensure [such] compliance". Successfully proving the entitlement to this exception to GATT 1994 obligations involves much more than a conclusory statement, which provides neither the United States nor the Panel a foundation on which to base any analysis whatsoever of the EC's affirmative defense to a GATT violation.

103. The United States does not see anything in Article XX(d) that would excuse the EC from its GATT 1994 obligations, and the EC has not provided any information or evidence that it does. Therefore, this Panel should find that the EC GI Regulation's inconsistency with the GATT 1994 is not excused by Article XX(d) of the GATT 1994.

V. THE EC GI REGULATION IS INCONSISTENT WITH THE MFN OBLIGATIONS OF THE TRIPS AGREEMENT AND THE PARIS CONVENTION

A. MFN OBLIGATIONS WITH RESPECT TO THE NATIONALS OF NON-EC WTO MEMBERS

104. The United States argued in its first written submission that the EC GI Regulation's inconsistencies with the MFN obligations of the TRIPS Agreement and the Paris Convention derived from the same conditions for GI protection imposed on WTO Members that give rise to inconsistencies with the national treatment obligation under the TRIPS Agreement and the Paris Convention. That is, the nationals of any country that satisfies the GI Regulations requirements with respect to

- reciprocity and equivalence
- specified inspection structures, and

⁸³ Appellate Body Report, para. 154.

⁸⁴ EC First Written Submission, para. 226.

- the substantial participation in administering and enforcing the EC GI Regulation on behalf of its nationals

can register and protect their home-based GIs and can object to the registration of GIs. Any national of a WTO that does not satisfy these requirements, by contrast, cannot do so. Consequently, the EC GI Regulation does not "immediately and unconditionally" accord to nationals of all WTO Members the advantages, favors, privileges, or immunities accorded to EC nationals. In addition to the arguments refuted in the "national treatment" section above, the EC protests that it has not yet applied this Regulation to benefit the nationals of qualifying countries.⁸⁵

105. But the lack of third country GI registrations under the GI Regulation does not mean that it is immune from challenge. The EC cites several disputes in which there was a discriminatory application of a law, implying that this is a requirement to challenge a measure on MFN grounds⁸⁶ but ignores that there are, equally, disputes in which a discriminatory measure had not yet been applied, but was nonetheless found inconsistent with obligations. In one such dispute, *United States – Superfund*, the panel explained that the obligations in that dispute:

are not only to protect current trade but also to create the predictability needed to plan future trade. That objective could not be attained if contracting parties could not challenge existing legislation mandating actions at variance with the General Agreement until the administrative acts implementing it had actually been applied to their trade.

The United States has not, in fact, challenged any particular application of the GI Regulation on MFN grounds; rather it is challenging this aspect of the EC GI Regulation on its face.

106. The fact is that the conditions for protection described above – conditions that are necessarily determined on a country-by-country basis – reward nationals of those individual countries that agree to adopt EC structures and systems for protecting geographical indications and that agree to administer and enforce the EC GI Regulation in their territory. Nationals from those countries receive as favorable treatment as EC nationals. Nationals from countries that do not so agree are precluded from accessing the EC GI Regulation protection system.⁸⁷ In this connection, the EC's quotation of the *Canada – Autos* panel report,⁸⁸ discussing why not all non-product-related conditions are *per se* inconsistent with Article I:1 of the GATT 1994 is not relevant.

107. There is no room under the EC GI Regulation for the Commission to determine that all WTO Members satisfy the conditions of the GI Regulation. Some WTO Members may have the EC-style inspection structures, others do not; some WTO Members might be able to prosecute GI registration applications successfully on behalf of their nationals, and others cannot. There is nothing that the EC can do in administering the EC GI Regulation that will treat nationals of all WTO Members as favorably as each other and as favorably as EC nationals.

108. In other words, *any* application of the EC GI Regulation to a third country would result in a failure to accord MFN treatment to nationals of all third country WTO Members. The Commission has no ability to avoid this result under the Regulation. And, of course, the refusal to apply the GI Regulation to other third countries at all – which is theoretically one way of assuring equal treatment

⁸⁵ EC First Written Submission, paras. 239-245.

⁸⁶ EC First Written Submission, para. 242, citing *EEC – Imports of Beef from Canada and Belgian Family Allowances*.

⁸⁷ As discussed above in the context of "national treatment", the GI Regulation discriminates on the basis of nationality. See Section III.A above.

⁸⁸ EC First Written Submission, para. 237.

among nationals of all third country WTO Members – would be inconsistent with the national treatment obligation. In any case, the GI Regulation does not appear to permit the Commission to refuse to apply the GI Regulation to all third countries.

109. Accordingly, even in the absence of a specific application to any third country, the EC GI Regulation is inconsistent with the MFN obligations of the GI Regulation.

B. MFN OBLIGATIONS OF EC MEMBER STATES WITH RESPECT TO NATIONALS OF ALL OTHER NON-EC WTO MEMBERS

110. The United States also argued that, since each of the EC member States is also a WTO Member in its own right, each member State has an obligation to accord to non-EC nationals the same advantages, favors, privileges, and immunities accorded to nationals of other EC member States. That is, any benefits France provides to German nationals must also be provided to US nationals. By requiring that, for instance, France accord advantages to German nationals that it does not accord to US nationals, the EC GI Regulation is inconsistent with the MFN obligation under the TRIPS Agreement. The GI Regulation does this, for instance, by requiring that France recognize and enforce GIs that are registered by German nationals, but does not require, or even permit, France to provide the same recognition to US GIs, since they cannot be registered under the GI Regulation in the first place.

111. The EC's response to this argument, aside from responses already addressed in the context of national treatment, is not clear.⁸⁹ The EC appears to be arguing that, in requiring its member States to accord advantages to nationals of other EC member States that they do not accord to nationals of other WTO Members, the EC *itself* is not according advantages to "any other country", and so the EC member States are exempted from the MFN obligation. The EC also states that the measure at issue is an EC measure, not a member State measure.⁹⁰

112. But the EC ignores two important facts. First, in this dispute, the United States defined the measure – the EC GI Regulation – as Regulation 2081/92 *and its related implementation and enforcement measures*.⁹¹ Therefore, any related implementation and enforcement measures – including those of EC member States – are included within the Panel's terms of reference. Consequently, the Panel can and should review whether the measures that EC member States must take to implement and enforce the EC GI Regulation – measures that accord advantages, favors, privileges and immunities to nationals of other EC member States – accord those same advantages, favors, privileges, and immunities to WTO Members that are not EC member States.

113. Second, the EC cannot reasonably claim that whether an EC member State is complying with its MFN obligations depends on whether or not it is implementing EC regulations or its own. The only question under Article 4 of the TRIPS Agreement is whether the WTO Member concerned is granting the same advantages, favors, privileges and immunities to other WTO Members as it grants to its own nationals. If not, there is a violation of the MFN obligation, and it does not matter *why* or pursuant to what *requirement* the WTO Member is discriminating against nationals of other WTO Members. An EC member State cannot avoid its MFN obligations simply by claiming that it is discriminating pursuant to an EC regulation.

⁸⁹ See EC First Written Submission, paras. 252 - 256.

⁹⁰ EC First Written Submission, para. 255.

⁹¹ WT/DS174/20.

VI. THE EC GI REGULATION IS INCONSISTENT WITH THE MFN OBLIGATIONS OF THE GATT 1994

114. In its first written submission, the United States argued that the EC GI Regulation was inconsistent with Article I:1 of the GATT 1994, because, in a manner similar to that presented in *Belgian Family Allowances*, the GI Regulation introduces a discrimination between countries having a given system of GI protection and having the ability to successfully advocate on behalf of their nationals with respect to the registration of GIs and objections to GIs.⁹² The EC's responses to this argument are the same as those presented in connection with other issues described above: (1) There is no condition of reciprocity and equivalence for WTO Members; (2) The conditions for registration are not discriminatory; and (3) The GI Regulation has not yet been applied to products from third countries.⁹³

115. As the United States has already responded to these arguments above, it will not repeat those arguments here.

116. Finally, as is the case with its response to the national treatment claim with respect to goods, the EC has failed to present any explanation whatsoever of how Article XX(d) of the GATT 1994 might excuse this inconsistency with the Article 1:1 MFN obligation.

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

A. INTRODUCTION

117. As the United States has shown in its first written submission and oral statement, Article 16.1 of the TRIPS Agreement requires that owners of registered trademarks be given the exclusive right to prevent *all* third parties from using similar or identical signs, including geographical indications, for identical or similar goods, where such use would result in a likelihood of confusion.⁹⁴ The United States has also shown that the EC GI Regulation is inconsistent with this obligation because, as the EC acknowledges,⁹⁵ *even if* the owner of a prior valid registered trademark can prove that use of an identical or similar registered geographical indication raises a likelihood of confusion, it cannot prevent that use.

118. Specifically, as Article 14(2) of the EC GI Regulation demonstrates, even in cases where use of a registered geographical indication gives rise to a likelihood of confusion within the meaning of Article 16.1 of the TRIPS Agreement, the product that is marketed and labeled with that geographical indication can be sold alongside a similar or the same product that has been marketed and labeled with an identical or similar valid prior registered trademark. The owner of the trademark will have no ability to exercise its Article 16.1 rights to prevent any confusing use by the later-registered geographical indication. As the United States has emphasized in its previous submissions to the Panel, the "exclusive right ... to prevent" confusing uses in Article 16.1 is critical to trademark owners. Without this right to exclude *all* others from confusing uses, owning a trademark would mean practically nothing, since the purpose and value of a trademark is to be able to distinguish one company's goods from the goods of other companies. Without the ability to stop confusing uses, this value is eliminated.

⁹² US First written Submission, paras. 127-129.

⁹³ EC First written submission, paras. 260-264.

⁹⁴ US First Written Submission, paras. 130-170; US Oral Statement, paras. 40-75.

⁹⁵ EC First Written Submission, paras. 302-307; EC Responses to Questions, para. 141.

119. At this stage of the proceedings, and contrary to the EC's arguments, it should be clear that under the US interpretation of the relevant provisions of the TRIPS Agreement, no one form of intellectual property right is superior to another. The EC position appears to be that a GI will always take precedence over a trademark. By contrast, the US interpretation does not require any "hierarchy" between trademarks and geographical indications. Rather, under the US interpretation, each TRIPS Agreement provision is given its full scope, and both trademarks and geographical indications are granted their respective spheres of exclusivity. Under Article 16.1 of the TRIPS Agreement, a trademark owner is given the exclusive right to exclude uses by all others of similar or identical signs that are likely to confuse consumers within a given territory. Under Article 22.2 and 22.3 of the TRIPS Agreement, interested parties in geographical indications are granted the right to prevent the use of signs that mislead consumers within a given territory about the origin of goods. There is no "conflict" between these provisions. The provisions are not mutually exclusive; "simultaneous compliance with the obligations" of these provisions is not "impossible" in any sense.⁹⁶

120. The EC is simply wrong that under the US interpretation, trademarks that "lack ... distinctiveness,"⁹⁷ or trademarks that constitute "illegitimate uses" of geographical indications, will prevail over geographical indications. The United States has made it clear that if a trademark is not distinctive, or if it is "illegitimate" because it misleads consumers in a particular country about the origin of goods, then the TRIPS Agreement and the Paris Convention provide that it should not be registered.⁹⁸ If for some reason it is registered, it is subject to invalidation.⁹⁹

121. The EC is also wrong to argue that under the US interpretation, the exclusivity of trademarks is valued over the exclusivity of geographical indications,¹⁰⁰ that the United States is supporting the "superiority of trademarks over geographical indications,"¹⁰¹ and that, in the United States' view, trademarks "must prevail over later geographical indications."¹⁰² The United States accepts – and nothing in its interpretation suggests otherwise – that in any given case, a trademark owner bringing an infringement claim against the user of a geographical indication might not succeed on the merits. For example, the trademark owner might not be able to prove that the particular use of the

⁹⁶ Panel Report, *Turkey – Textiles*, para. 9.92. See also Panel Report, *Indonesia – Autos*, para. 14.28 ("[I]n public international law there is a presumption against conflict," which is "especially relevant in the WTO context since all WTO agreements ... were negotiated at the same time, by the same Members and in the same forum." (footnotes omitted)).

⁹⁷ EC First Written Statement, paras. 289, 291.

⁹⁸ TRIPS Articles 22.3, 15.1; Paris Convention Article 6*quinquies*B.

⁹⁹ TRIPS Article 22.3; Paris Convention Article 6*quinquies*B. For this reason, the EC is wrong to argue, at paragraph 307 of its first written submission, that the United States is proposing "rigid application of the first-in-time rule." As previously noted, the United States is concerned in this dispute with the rights accorded only to prior valid registered trademarks. Assuming that the trademark registration is valid, the United States finds it curious that the EC, also in paragraph 307, argues that priority is not appropriate "to resolve conflicts ... between trademarks and geographical indications, because they are distinct intellectual property rights, each with its own characteristics." See also EC Oral Statement, para. 15. The ECJ appears to disagree. Advocate General Tizzano recently issued an opinion stating that "[le] principe de la primauté du titre antérieur d'exclusivité ... représente un des fondements du droit des marques et, d'une façon plus générale, de tout le droit de la propriété industrielle." ("[The] principle of the priority of a preceding exclusive right ... is one of the basic principles of trademark law and, more generally, of all intellectual property law.") The Advocate General concluded (at paragraphs 102 and 119 of his Opinion) that the principle of priority should be applied to resolve conflicts between trademarks and trade names and that trade or commercial names, like geographical indications, are "distinct" from trademarks. Advocate General Tizzano's Opinion in Case C-245/02, *Anheuser-Busch Inc. v. Budejovický Budvar, národní podnik*, delivered 29 June 2004. Exhibit US-51 includes official versions of the Opinion in French and Finnish, along with an unofficial English translation (from the Finnish).

¹⁰⁰ EC First Written Submission, paras. 271, 274; EC Responses to Questions, para. 215.

¹⁰¹ EC First Written Submission, para. 295.

¹⁰² EC First Written Submission, para. 297.

geographical indication would result in a likelihood of confusion. Or the interested party in the geographical indication might be able to show that the trademark is subject to invalidation.

122. Under the EC GI Regulation, however, *even if* the owner of a prior valid registered trademark can prove, consistent with TRIPS Article 16.1, that use of an identical or similar registered geographical indication confuses consumers, and *even if* the interested party in the geographical indication fails to show, consistent with TRIPS Article 22.3, that the trademark misleads consumers with respect to origin, the trademark owner *still* cannot prevent the continued use of that geographical indication in a manner that results in a likelihood of confusion. The very best that the trademark owner can hope for in this situation is the ability to continue selling products with its trademark affixed, but deprived of its ability to distinguish the goods of the trademark owner. The trademark owner cannot exercise its right to prevent confusing use of the geographical indication.

123. This is inconsistent with Article 16.1. In *United States – Section 211*, the Appellate Body emphasized the importance of the exclusive nature of trademark rights, finding that Article 16.1 confers on the owners of "registered trademarks an internationally agreed minimum level of 'exclusive rights' that all WTO Members must guarantee in their domestic legislation" – rights that "protect the owner against infringement of the registered trademark by unauthorized third parties."¹⁰³

124. In contrast, the EC argues in this dispute that "[t]he fact that the owner of a registered trademark cannot prevent the use of the same or a similar sign by the right holders of a geographical indication does not mean that the registration of the trademark is, for that reason alone, 'set aside', or 'overthrown' or that it is without 'legal strength' or 'efficacy'."¹⁰⁴ But even the EC jurisprudence recognizes that the core of a trademark right is the right of an owner of a trademark to prevent the use of a similar or identical sign that would result in a likelihood of confusion.¹⁰⁵

125. The EC is correct that "co-existence" – meaning the ability of a trademark owner to do nothing more than to continue selling products with its trademark affixed, without the Article 16.1 right to prevent infringing uses of similar or identical signs – "may not be a perfect solution to resolve conflicts between different types of intellectual property rights."¹⁰⁶ More significant, however, it is a solution that is inconsistent with Article 16.1. It presumes that the simultaneous compliance with the obligations in Articles 16.1, 22.2 and 22.3 is impossible, and as such reads a conflict into complementary provisions of the TRIPS Agreement where there is none.

B. ARTICLE 14(3) OF THE EC GI REGULATION DOES NOT SATISFY THE EC'S OBLIGATIONS UNDER ARTICLE 16.1 OF THE TRIPS AGREEMENT

126. The EC argues, in effect, that owners of registered trademarks in the EC or its member States do not need the Article 16.1 right to prevent all uses of similar or identical geographical indications that raise a likelihood of confusion, because Article 14(3) of the GI Regulation "says that the registration of a geographical indication shall be refused if it is likely to lead to confusion with a

¹⁰³ Appellate Body Report, *United States – Section 211*, para. 186.

¹⁰⁴ EC Responses to Questions, para. 204.

¹⁰⁵ *See, e.g.*, Advocate General Jacobs' Opinion in Case C-10/89, *SA CNL-Sucal NV v. HAG GFAG*, delivered 13 March 1990, [1990] ECR I-3711, para. 19 (Exhibit US-8) ("A trademark can only fulfil that role [*i.e.*, to identify the manufacturer and to guarantee quality] if it is exclusive. Once the proprietor is forced to share the mark with the competitor, he loses control over the goodwill associated with the mark. The reputation of his own goods will be harmed if the competitor sells inferior goods. From the consumers' point of view, equally undesirable consequences will ensue, because the clarity of the signal transmitted by the trademark will be impaired. The consumer will be confused and misled.").

¹⁰⁶ EC First Written Submission, para. 307.

trademark."¹⁰⁷ (At other points, however, the EC argues that the TRIPS Agreement does not provide for the exclusivity of prior valid trademarks with respect to conflicting geographical indications.¹⁰⁸)

127. Article 14(3) provides that:

A designation of origin or geographical indication shall not be registered where, in the light of a trade mark's reputation and renown and the length of time it has been used, registration is liable to mislead the consumer as to the true origin of the product.

128. Article 14(3) does not satisfy the EC's obligations under Article 16.1 of the TRIPS Agreement, for at least two reasons. First, even if, for the sake of argument, this Panel were to accept the reading of Article 14(3) offered by the EC, the "protection" offered trademark owners is not sufficient to satisfy Article 16.1 of the TRIPS Agreement. Article 16.1 requires that *registered trademark owners* be given the right to prevent confusing *uses* of identical or similar signs, and not just that *government authorities* be given the authority to prevent the *registration* of confusing signs. Second, Article 14(3) does not permit the EC to refuse registration of all geographical indications that raise a likelihood of confusion with any similar or identical trademark. As is evident from the text of Article 14(3), it applies only with respect to a certain subset of valid registered trademarks – trademarks with a certain reputation, renown, and that have been used for a certain length of time.

129. The United States addresses these two reasons in turn, below.

1. Even if the EC's reading of Article 14(3) of the EC GI Regulation were correct, Article 14(3) is not a substitute for the rights accorded trademark owners under Article 16.1 of the TRIPS Agreement

130. The EC asserts that Article 14(3) requires the EC to reject registration of a geographical indication if the registration is likely to lead to confusion with a trademark. Article 16.1 requires that the *owner* of a registered trademark have the exclusive right to prevent all *uses* of identical or similar signs that result in a likelihood of confusion. Even if the EC's reading of Article 14(3) is accurate, it does not satisfy Article 16.1 of the TRIPS Agreement, in two ways.

(a) TRIPS Article 16.1 addresses *uses*, while Article 14(3) of the EC Regulation addresses only *registration*

131. Even according to the EC's reading, Article 14(3) does not afford a trademark owner the right to ensure that no *uses* of a geographical indication, once registered, will result in a likelihood of confusion. This is an important distinction, because a trademark owner is not necessarily able to know, from the registration of a geographical indication alone, whether *use* of the registered geographical indication will raise a likelihood of confusion. This is because a trademark owner cannot know, from the registered name on its own, precisely how it will be used. For example, a registered geographical indication may be used in ways that cannot be anticipated, such as in a trademark-like manner or in translation, in a manner that causes a likelihood of confusion with respect to a registered trademark. The scope of permitted uses of a name registered as a geographical indication may be broader than the name, as such, that is registered.

132. In an apparent attempt to diffuse this concern, the EC states that

a trademark owner may use its trademark rights in order to prevent the right holders of a geographical indication from using confusingly *any other names or other signs*

¹⁰⁷ EC Responses to Questions, para. 155.

¹⁰⁸ EC Responses to Questions, paras. 200-221.

(e.g. graphic signs) in conjunction with, or in place of, the name registered as a geographical indication. In other words, the right holders of a geographical indication only have a positive right to use *the name registered* as a geographical indication.¹⁰⁹

133. But this distinction is not as straightforward as the EC suggests. The United States attaches as Exhibit US-52 four pictorial depictions of the packaging for products sold under geographical indications registered in the EC, and the accompanying product specifications. It should be noted that the product specifications do not limit the way in which the geographical indications are used, and the pictorial depictions demonstrate that the name is often used in a trademark-like fashion. Determining what exactly will constitute use of "the name registered," therefore, is not always evident from the name that is registered alone. To know whether "the name registered" raises a likelihood of confusion, in many cases, a trademark owner needs to see the registered name in use.¹¹⁰

134. The issue of translations also raises the question of what limits are imposed on, and what is encompassed by, use of "the name registered." The United States has referred to two examples. The United States has noted three registered geographical indications set out in the Czech Republic's Act of Accession: Budejovické pivo, Ceskobudejovické pivo and Budejovický mešt'anský var.¹¹¹ In trademark infringement proceedings pending before the Swedish courts, a Czech brewer has argued that registration grants the right to use these three names in translation. Specifically, it asserts that the German translation of the three registered geographical indications include "Budweiser Budvar," "Budweis," and "Budbräu."¹¹² The United States has also cited to the registered geographical indication "Bayerisches Bier," which the Commission decided to register despite concerns raised under Article 14(3) that if used in translation, it could confuse the consumer in relation to the "Bavaria" trademark in Holland.¹¹³ ("Bayer," the root of "Bayerisches," is translated into English as "Bavaria" – the suffix "isches" is the adjective form of "bayer".)

135. The text of Article 16.1 is clear – the owner of a registered trademark must be granted the right to prevent *uses* of similar or identical signs that raise a likelihood of confusion. The practical reason behind this requirement is equally clear from the examples cited above – in many cases, unless or until the registered geographical identification is actually used, neither the EC authorities nor the trademark owner will always know whether there is a likelihood of confusion. Even accepting the EC's reading of Article 14(3) on its face, the trademark owner is not afforded the right guaranteed under Article 16.1

(b) TRIPS Article 16.1 grants rights to *trademark owners*, while Article 14(3) of the EC Regulation empowers the *EC authorities*

136. Even under the EC's reading, Article 14(3) does not provide the *trademark owner* with the right to prevent confusing uses, as is required by Article 16.1 of the TRIPS Agreement. According to the EC, it merely requires the *EC authorities* to decline registration of a geographical indication in

¹⁰⁹ EC Responses to Questions, para. 142 (emphasis added).

¹¹⁰ This is not to say, however, that a geographical indication cannot be found confusingly similar to a prior valid trademark at the time of registration, for instance, in cases where both the signs and the goods are identical. In such cases, Article 16.1 of the TRIPS Agreement requires that the likelihood of confusion be presumed. However, not all confusing uses can be foreseen at the time of registration; therefore, the trademark owner must be provided the right to prevent confusing uses in the market as they arise.

¹¹¹ Exhibit COMP-3.c (Annex II, para. 18).

¹¹² Copies of the Czech brewer's brief to the Swedish court, in Swedish and as unofficially translated to English, are included in Exhibit US-53. The relevant passage is at paragraphs 4-6 of Section 3.2. The EC has not indicated in these proceedings, or in the Swedish domestic court proceedings discussed above, whether use of a registered GI in translation constitutes a permitted use of that GI.

¹¹³ US Oral Statement, para. 55.

some circumstances. The trademark owner does not control this process – a factor critical to an owner's Article 16.1 rights. As stated in the preamble to the TRIPS Agreement, "intellectual property rights are private rights," and control over them by private owners is crucial.

137. The EC suggests that the trademark owner has two ways of asserting its Article 16.1 rights in the registration process. First, the EC refers to the "right" of a trademark owner to object to the registration of a geographical indication, pursuant to Article 7(4) of the EC GI Regulation.¹¹⁴ This so-called "right" is insufficient to implement the Article 16.1 obligations. The United States has shown that, in fact, US nationals do not enjoy the "right" to object to registration of a geographical indication on a non-discriminatory basis. Moreover, even if they did, it is apparently the EC's own view that the right of objection is *not* part of the Article 16.1 right to prevent confusing uses.¹¹⁵ In addition, as the United States noted in its responses to questions, nearly 80 percent of the geographical indications registered in the EC to date, including, most recently, names registered *via* accession protocols, were exempt from the objection procedures included in the EC GI Regulation.¹¹⁶ In these circumstances, trademark owners will find no comfort in the EC's assertion of the "right" of objection as a sufficient substitute for Article 16.1 rights.

138. Second, the EC notes that if a trademark owner considers that the Commission has registered a geographical indication that raises a likelihood of confusion, the owner can challenge the Commission's failure properly to apply Article 14(3) before the "courts."¹¹⁷ The United States presumes that the EC is referring to a challenge to the validity of a registration before the EU courts. Under Article 230 of the EC Treaty,¹¹⁸ a natural or legal person that is "directly and individually concerned" by a registration can challenge the validity of the registration before the Court of First Instance ("CFI"), with an appeal to the European Court of Justice ("ECJ").¹¹⁹ The very important qualification, however, is that under Article 230, the case must be brought *within two months of publication of the registration*.¹²⁰

139. But actual confusing uses may not become apparent within two months, and Article 16.1 permits no such "expiration" of the Article 16.1 rights. Indeed, aware of this two-month window, a potential user of a registered geographical indication would be well-advised to preserve the registration from challenge by waiting until the two-month period has tolled to begin particular uses of the geographical indication that would arguably raise a likelihood of confusion with respect to a registered trademark.

140. At that stage, after the two-month period has expired, the trademark owner's only option would be to bring an infringement challenge against confusing use of the identical or similar

¹¹⁴ The EC states that a statement of objection "shall" be admissible if it demonstrates that "the registration of the name proposed would jeopardize the existence of a mark." EC Responses to Questions, para. 160, *quoting* the EC GI Regulation, Article 7(4).

¹¹⁵ EC First Written Submission, paras. 326 ("Article 16.1 does not confer a right of objection."), 327 (Article 16.1 does not grant to the trademark owners a right to formulate objections in the framework of a procedure for the acquisition of another intellectual property right, whether it is a trademark or a different right such as geographical indication."), and 427 ("[T]he EC considers that the right to formulate objections to the registration of another intellectual property rights is not inherent in the exclusive rights conferred to trademark rights holders by Article 16.1.").

¹¹⁶ US Responses to Questions, para. 68.

¹¹⁷ EC Responses to Questions, paras. 153, 181.

¹¹⁸ Exhibit US-26.

¹¹⁹ The concept of "directly and individually concerned" is narrowly applied, as confirmed recently by the ECJ in C-50/00, *Union de Pequenos Agricultores v Council* (25 July 2002). Exhibit US-54.

¹²⁰ This deadline has been enforced strictly. *See, e.g.*, Case T-85/97, *Horeca-Wallonie v. Commission*, order of 20 November 1997 (Exhibit US-55); Case T-12/90, *Bayer AG v. Commission*, Case C-195/91 P, *Bayer A.G. v Commission* [1994] ECR I-5619 (Exhibit US-56).

geographical indication.¹²¹ But as the EC has confirmed,¹²² even if the owner of a prior valid registered trademark can prove that use of an identical or similar geographical indication raises a likelihood of confusion, it will not be able to prevent use of the geographical indication. The most the trademark owner can hope for is the continued ability to sell products with its trademark affixed, without the ability to prevent confusing use of the geographical indication.

141. For all of these reasons, the ability to challenge the registration of a geographical indication is no substitute for Article 16.1 rights. Article 16.1 of the TRIPS Agreement grants rights to *trademark owners* to prevent particular *uses* of identical or similar signs, and imposes no two-month time limit on the exercise of that right. For as long as the trademark is valid and registered, Article 16.1 grants the owner the right to prevent uses of identical or similar signs that raise a likelihood of confusion.

2. Article 14(3) of the EC GI Regulation neither requires nor permits the EC authorities to deny registration of all confusing geographical indications.

142. The EC asserts that Article 14(3) "says that the registration of a geographical indication shall be refused if it is likely to lead to confusion with a trademark."¹²³ But Article 14(3) does not say this. It says that a geographical indication "shall not be registered where, in the light of a trade mark's reputation and renown and the length of time it has been used, registration is liable to mislead the consumer as to the true origin of the product."

143. Setting aside the point made above that TRIPS Article 16.1 accords trademark owners the right to prevent *uses* of identical or similar geographical indications, and not only *registration* of such geographical indications, it is clear that Article 14(3) applies criteria that are different from and more restrictive than Article 16.1. Article 16.1 rights are not reserved solely to registered trademarks of a certain reputation or particular renown. Nor is there any requirement under Article 16.1 that the trademark be used for any length of time. Article 16.1 articulates a right that is owed under the TRIPS Agreement to the owner of any valid registered trademark.

144. Had the EC wished to adopt a provision that "says that the registration of a geographical indication shall be refused if it is likely to lead to confusion with a trademark," it could have done so. According to the EC, "at the time that Regulation 2081/92 was adopted, the TRIPS Agreement was in the final phases of its negotiation," and the EC's "objective" was to track what would become its TRIPS obligations in the Regulation.¹²⁴ Why, in those circumstances, did the EC not simply include the Article 16.1 "likelihood of confusion" language in Article 14(3) of Regulation 2081/92? Why, instead, did it include language in Article 14(3) about a trademark's "reputation and renown and the

¹²¹ The United States will later in this submission rebut assertions by the EC (EC Responses to Questions, para. 31) that the interpretation of Article 14(3) it offers to the Panel is the same interpretation that it has adopted and will continue to support in proceedings before the ECJ. At this point, the United States merely observes that once the two-month period to challenge the validity of the geographical indication registration expires, the Commission will no longer be there, and its allegedly helpful interpretation of Article 14(3) will no longer be relevant, to help trademark owners as they turn to national courts to resolve infringement claims regarding confusing uses of the registered geographical indications.

¹²² EC First Written Submission, paras. 302-307; EC Responses to Questions, para. 141.

¹²³ EC Responses to Questions, para. 155. The EC has alternatively asserted that Article 14(3) merely "allows the registering authorities to refuse the registration of any confusing geographical indications," and that under Article 14(3) it is "*possible* to reject" an application for registration of a geographical indication that jeopardizes the existence of a mark. EC First Written Submission, para. 286 (emphasis added); EC Responses to Panel Questions, para. 160 (emphasis added). As discussed above, neither of these positions is correct. But the United States would note that Article 14(3) is an even poorer substitute for Article 16.1 rights if it permits the registration of confusing GIs.

¹²⁴ EC Responses to Panel Questions, para. 12.

length of time it has been used" – language that is not found in Article 16.1 and that is plainly more restrictive than the Article 16.1 standard?

145. The obvious answer is that the EC has limited the circumstances in which a geographical indication will be denied registration to those instances in which a trademark's "reputation and renown and the length of time it has been used" make the geographical indication "liable to mislead the consumer as to the true identity of the product."¹²⁵ These criteria – "reputation and renown and the length of time ... used" – cannot be threshold *prerequisites* that the owner of a prior valid registered trademark must invoke to prevent confusing uses by identical or similar signs. Even assuming that Article 16.1 can be entirely fulfilled by denying registration of confusing geographical indications, Article 14(3) of the GI Regulation makes the availability of those rights contingent on the trademark possessing "reputation and renown and ... use[]." TRIPS Article 16.1, however, requires only that the trademark be validly registered for the owner to avail itself of its rights.

146. Article 14(3)'s "reputation and renown" language limits the applicability of the provision to a certain class of trademarks, whereas TRIPS Article 16.1 places no limits on the class of registered trademarks that are granted the exclusive right to exclude others. In fact, the threshold prerequisites of reputation, renown, and length of time used are factors generally used to determine the scope of protection to give to "well-known" or "famous" trademarks, under Article 6*bis* of the Paris Convention, and Articles 16.2 and 16.3 of the TRIPS Agreement. Article 16.2 refers specifically to criteria such as "knowledge of the trademark" and knowledge "obtained as a result of the promotion of the trademark." The word "knowledge" in Article 16.2 means, among other things, "familiarity gained by experience."¹²⁶ The "familiarity" part of this definition would appear to encompass the "reputation and renown" criteria of Article 14(3), while "gained by experience" tracks the "length of time ... used" criterion in Article 14(3).

147. The threshold prerequisites included in Article 14(3) – "reputation and renown and the length of time ... used" – also track the factors for determining whether a trademark is well-known that are recorded in Article 2(1)(b) of the Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks, adopted by the Paris Union Assembly and the WIPO General Assembly.¹²⁷ Among the factors to be considered are the "degree of knowledge or recognition" of the mark, the "duration" of any "use" of the mark, and the "duration" of any registrations of the mark. These factors correspond to the prerequisites included in Article 14(3) of the GI Regulation. The repeated references in the WIPO Joint Recommendation to the "duration" of "use" or of "registrations" corresponds to the

¹²⁵ The EC states that since "it would be impossible to evaluate the likelihood of confusion on the basis of only" the two criteria listed in Article 14(3), the Commission must be able to consider other criteria relevant to a determination of likelihood of confusion. See EC Responses to Panel Questions, para. 156. The more logical implication, however, contrary to the EC's statement, is that Article 14(3) does not embody the "likelihood of confusion" standard, at least with respect to all but a certain category of marks. Moreover, the EC cites to the "Bayerisches Bier" example - in which the EC decided to register "Bayerisches Bier" as a geographical indication, despite objections from the owner of the trademark BAVARIA that the registration would raise a likelihood of confusion - as "consistent with" the interpretation of Article 14(3) offered in this dispute. EC Responses to Questions, para. 170. See also EC First Written Submission, para. 288 (footnote 140). But this decision does not, in fact, confirm the EC's interpretation of Article 14(3) for the purposes of this dispute. The Council's decision (provided as Exhibit EC-9) does *not* say that the Council took into account factors other than the reputation, renown and length of use of the trademark in reaching its decision to register the geographical indication. All it says is that "[i]n view of the facts and information available, it was ... considered that registration of the name ... was not liable to mislead the consumer as to the true identity of the product." This does not in any way confirm that the EC's interpretation of Article 14(3) is that applied in practice.

¹²⁶ *New Shorter Oxford English Dictionary* (Fourth Ed. 1993), pg. 1503. Exhibit US-57.

¹²⁷ Exhibit US-58.

"length of time ... used" prerequisites in Article 14(3). Similarly, the reference to the "degree of knowledge or recognition" corresponds to the "reputation and renown" prerequisites in Article 14(3).

148. As further evidence of the meaning of Article 14(3), in the process of bringing its laws into conformity with the EC GI Regulation upon accession to the EU earlier this year, Hungary adopted amendments to its Law on the Protection of Trademarks and Geographical Indications that demonstrate its understanding that Article 14(3) tracks the factors for determining whether a trademark is well-known. In particular, Section 45(1)(c) of the amended Hungarian law reads as follows:

a geographical indicator identical with or similar to a previous trademark if, with regard to the awareness, reputation or duration of the presence of the trademark in the market, the use thereof may result in the misleading of consumers in respect of the origin of the goods,

...

shall be excluded from protection.¹²⁸

The statement of ministerial reasoning accompanying Section 45 provides as follows:

The rule on the protection of a prior *well-known mark* corresponds to the relative ground for refusal contained in Section 14(3) of EC Regulation 2081/92 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs.¹²⁹

149. Thus, Hungary, an EC member State that – presumably in consultation and negotiation with the EC – recently amended its law to make it consistent with the GI Regulation, also considers that the prerequisites in Article 14(3) block the registration of a geographical indication that is confusing *only with respect to* an identical or similar *well-known trademark*.¹³⁰ Article 14(3) does not extend the "likelihood of confusion" standard from TRIPS Article 16.1 to *all* valid registered trademarks; rather, it considers only a certain subset of trademarks that appear to correspond to the definition of well-known marks.

150. Finally, insight into the meaning of the prerequisites included in Article 14(3) can be drawn from use of those criteria in EC law and jurisprudence. "Reputation," one of the prerequisites in Article 14(3), is required by the EC Trademark Regulation and Trademark Directive to secure heightened protection against uses of confusing identical or similar signs on *dissimilar goods*.¹³¹ The

¹²⁸ An English language version of Section 45 is provided as Exhibit US-59. An English language version of the predecessor to Section 45 (Section 106), before amendments aimed at implementing EC Regulation 2081/92 were adopted, is provided separately, as Exhibit US-60. The predecessor to section 45 (section 106) appears to have been consistent with Article 16.1 of the TRIPS Agreement.

¹²⁹ Emphasis added. An English language version of the ministerial reasoning accompanying the amendments is included as Exhibit US-61.

¹³⁰ This evidence also demonstrates that contrary to the EC's response to question 70 from the Panel (paras. 172-174), the EC member States *do not agree with* the Commission's submission to the Panel that the terms of Article 14(3) are sufficient to prevent the registration of *all* confusing GIs.

¹³¹ See Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark, as amended, Articles 8(5), 9(1)(c) (Exhibit COMP-7.a); First Council Directive of 21 December 1988 to approximate the laws of the Member States relating to trade marks (89/104/EEC), as amended, Articles 4(3), 4(4)(a), 5(2) (Exhibit COMP-6.a). Similarly, Article 14(3) of the EC GI Regulation is not limited to the denial of registration for a geographical indication proposed for use on products similar to those associated with a

requirements for a trademark to be considered as having a "reputation" were set out by the ECJ in *Chevy*.¹³² In *Chevy*, the ECJ held that "reputation" requires that the trademark satisfy a *knowledge threshold requirement*, or in other words that it enjoy a certain degree of knowledge amongst the public.¹³³ The Court stated that the degree of knowledge must be considered to be reached when the trademark is known by a *significant part* of the public concerned.¹³⁴ In examining whether this condition is fulfilled, the Court stated that a national court must take into account, in particular, the market share held by the trademark, the intensity, geographical extent and duration of its use, and the size of the investment made by the undertaking promoting it.¹³⁵

151. The "duration of use" required to qualify for status as a trademark of "reputation" under the ECJ's test in *Chevy* is particularly relevant to Article 14(3), which also requires that to secure refusal of registration of a confusing geographical indication, a trademark must have been "used" for some "length of time."

152. Although it undertakes a case-by-case analysis, the Office for Harmonization in the Internal Market (Trade Marks and Designs) ("OHIM") has found that use of a trademark in the market for 45 years (HOLLYWOOD)¹³⁶, 50 years (PLANETA)¹³⁷ or more than 100 years (OLYMPIC)¹³⁸ offers a strong indication of reputation. Further guidance on the prerequisite of "length of time ... used" in Article 14(3) can be derived from the EC Wine Regulation.¹³⁹ The Wine Regulation contains a grandfathering clause for well-known trademarks.¹⁴⁰ The holder of a well-known registered brand name for a wine may continue to use that brand name if the brand name was registered at least 25 years before the official recognition of the geographical name and has been used without interruption. At the very least, these sources indicate that the prerequisite of "length of time ... used" in Article 14(3) of EC Regulation 2081/92 requires uninterrupted use for a considerable number of years.

153. Thus, even assuming that Article 16.1 can be fulfilled by denying registration of confusing geographical indications, Article 14(3) of the EC GI Regulation, by requiring that the trademark possess "reputation and renown" and "length of time ... used," requires considerably more than that the trademark be validly registered for the owner to avail itself of TRIPS Article 16.1 rights.

154. This is inconsistent with Article 16.1 of the TRIPS Agreement. Article 16.1 accords rights to *all* registered trademarks, regardless whether they have acquired a "reputation and renown," and regardless whether they have been "used" for any "length of time" whatsoever. Therefore – and setting aside the critical point that TRIPS Article 16.1 accords trademark owners the right to prevent *uses* of identical or similar geographical indications, and not only *registration* of those signs – Article 14(3) is insufficient to satisfy the EC's obligations under Article 16.1.

155. It is also important to note that – like the EC's novel reading of Article 12(1) of its GI Regulation – these proceedings mark the first time in which the EC has asserted that Article 14(3)

trademark of reputation, renown and some length of use. Article 14(1) of Regulation 2081/92, for example, includes such a limitation, but Article 14(3) does not. Exhibit COMP-1.b.

¹³² Case C-375/97, *General Motors Corp. v. Yplon SA* ("Chevy"), judgment of 14 September 1999. Exhibit US-62.

¹³³ *Id.*, para. 22.

¹³⁴ *Id.*, para. 26.

¹³⁵ *Id.*, para. 27.

¹³⁶ OHIM Resolution 105/1999 (available in French only), pgs. 4-5. Exhibit US-63.

¹³⁷ OHIM Resolution 2/2000 (available in Spanish only), pg. 11. Exhibit US-64.

¹³⁸ OHIM Resolution 81/2000, pg. 8. Exhibit US-65.

¹³⁹ Council Regulation No. (EC) 1493/1999 of 17 May 1999 on the common organisation of the market in wine. See Annexes VII(F)(2) and VIII(H)(2) thereto, in connection with Article 47(2)(e). Exhibit US-66.

¹⁴⁰ In Annexes VII(F)(2) and VIII(H)(2) thereto, in connection with Article 47(2)(e).

"says that the registration of a geographical indication shall be refused if it is likely to lead to confusion" with any registered trademark, and not just trademarks that hold reputation and renown and have been used for some length of time.¹⁴¹ As recently as March 2004, in a "Guide to Community Regulations," the Commission explained Article 14(3) in the following terms:

As a general rule, under the EU regime, the registration of a conflicting trademark does not prevent registration of the geographical name. *Only in one circumstance*, referred to in Article 14.3, is the application to register the geographical name refused. This is if, in the light of the trademark's reputation and renown and the length of time it has been used, registration of a geographical name would be liable to mislead the consumer as to the true identity of the product. *In all other cases*, the name can be registered *notwithstanding the existence of the registered trademark*.¹⁴²

156. The United States has added italicized emphasis to demonstrate that outside the context of these proceedings, the Commission considers that Article 14(3) does not "say[] that the registration of a geographical indication shall be refused if it is likely to lead to confusion" with any registered trademark.¹⁴³ Instead, the Commission considers that Article 14(3) will apply and the registration denied "[o]nly in one circumstance" – where there is a trademark that possesses the requisite reputation and renown and length of time used. In contrast, "[i]n all other cases," the registration will be granted, "notwithstanding the existence of the registered trademark."

157. Outside of these proceedings, therefore, the Commission's guidance on the EC GI Regulation is that the general rule ("all other cases" apart from "one circumstance") involving "the existence of the registered trademark" – *i.e.*, all cases not involving a registered trademark that possesses the requisite reputation and renown and length of time used – is that Article 14(3) will *not* apply, and that the registration will be approved "notwithstanding" the registered trademark. Thus, although the EC here argues that "[i]t 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,"¹⁴⁴ it appears that the Commission has itself already adopted one interpretation or application of Article 14(3) before the Panel, and a different interpretation or application (one that has the merit of being consistent with the text of Article 14(3)) when not before the Panel.

158. Nor is this dispute unique in that regard. As discussed above in section II, in the *Petrotub* case at the ECJ, the Commission's assertions to the ECJ concerning the requirements of EC law *directly contradicted* the assurances it had given WTO Members the year before. Further, as discussed above, when the appellants sought to rely on those assurances at the ECJ, the Commission opposed the request, deeming them "irrelevant".¹⁴⁵

159. In the light of what it termed the "irrelevant" assurances given to WTO Members, and the attempt to exclude the assurances from EC court proceedings, the Commission's assurances to this Panel on the meaning of Article 14(3) of the EC GI Regulation hardly inspire confidence. The text of

¹⁴¹ EC Responses to Questions, para. 155.

¹⁴² Guide to Community Regulations, "Protection of Geographical Indications, Designations of Origin and Certificates of Specific Character for Agricultural Products and Foodstuffs" (Working Document of the Commission Services issued by the European Commission Directorate-General for Agriculture, March 2004), pg. 23 (emphasis added). Exhibit US-24.

¹⁴³ EC Responses to Questions, para. 155 (emphasis added).

¹⁴⁴ EC Responses to Questions, para. 31.

¹⁴⁵ Case 76/00 P. *Petrotub*, judgment of 9 January 2003, para 15 (Exhibit EC-17).

Article 14(3) speaks for itself, and, in the absence of specific convincing legal authority to the contrary, that is the reading the Panel should adopt for the purposes of this dispute.¹⁴⁶

160. The EC also argues that unless Article 14(3) of the EC GI Regulation is interpreted to require the EC to refuse registration of any geographical indication that raises a likelihood of confusion with respect to an identical or similar trademark, Article 7(4) of the Regulation would be rendered "pointless."¹⁴⁷ Article 7(4) provides that "[a] statement of objection shall be admissible only if it ... shows that the registration of the name proposed would jeopardize the existence of ... a mark ..." According to the EC, unless Article 14(3) is read to encompass the likelihood of confusion standard, the Regulation would admit an objection on grounds that could not ultimately serve as the basis to refuse registration.

161. To begin, as the EC notes, Article 7(4) addresses what a trademark owner must establish to have its objection admitted. However, even if Article 14(3) were to be interpreted in light of Article 7(4), as the EC seems to suggest, the two provisions would still have to be interpreted *cumulatively*. Thus, the standard in Article 14(3) (requiring rejection of proposed registrations that are "liable to mislead" with respect to a well-known mark) would be interpreted in light of the admissibility standard in Article 7(4) (allowing admissibility of objections to proposed registrations that would "jeopardize the existence" of a mark). In the EC's view, together these two standards would "encompass[] any instance of likelihood of confusion ..."¹⁴⁸ But to apply this combined Article 7(4)/Article 14(3) standard to *all* trademarks, as opposed to only those trademarks with "reputation and renown" and "use" for some "length of time," would not amount to a *cumulative* interpretation of Articles 7(4) and 14(3). Rather, it would read the phrase "reputation and renown and the length of time used" limitation out of Article 14(3) altogether. For the Panel to accept such a reading would not amount to an "objective assessment of the facts of the case," as is required by Article 11 of the *DSU*.¹⁴⁹

162. Finally, the EC suggests that where the EC member States have been unable to agree on whether to register a geographical indication that has been the subject of an objection by a trademark owner, Article 7(5)(b) of the EC GI Regulation overrides Article 14(3), and calls on the Commission "to adopt a decision having regard to the 'likelihood of confusion' between the proposed geographical indication and *any* other marks."¹⁵⁰ This argument should be rejected, for two reasons.

163. First, and as noted above with respect to Article 7(4), even under the EC's construction, Article 7(5)(b) applies cumulatively with Article 14(3). Thus, even if Article 7(5)(b) means that in some instances, the standard in Article 14(3) ("liable to mislead") would be interpreted in light of the standard in Article 7(5)(b) ("likelihood of confusion"), the combined standard would not apply for all trademarks. It would only apply with respect to those trademarks with "reputation and renown" and "use." Thus, it would not satisfy TRIPS Article 16.1, which extends protection to all trademarks.

164. Second, even if the EC's interpretation regarding the interaction between Articles 7(5)(b) and 14(3) is correct, Article 7(5)(b), by its own terms, applies only in those situations in which the EC

¹⁴⁶ For example, the panel in *US - Section 301* accorded particular credibility to the interpretation given by the United States to its law because that interpretation was reflected in an authoritative statement of administrative action ("SAA"), issued by the President prior to the dispute, and approved by the US Congress. See US Responses to Questions, para. 4, citing Panel Report, *US - Section 301 Trade Act*, paras. 7.111 and 7.112.

¹⁴⁷ EC Responses to Questions, para. 160.

¹⁴⁸ EC Responses to Panel Questions, para. 169. The EC simply answers that the "liable to mislead" standard and the "jeopardize the existence" standard "encompass[] any instance of likelihood of confusion."

¹⁴⁹ See US Responses to Questions, para. 1.

¹⁵⁰ EC Responses to Questions, para. 162.

member States are unable to agree. In all other situations, Article 14(3), which provides for the refusal of registration only where a trademark meets the criteria of reputation, renown and length of time used, would apply alone.

165. For all of these reasons, the Panel should reject the EC's assertion that the owners of prior valid registered trademarks do not need the rights guaranteed by Article 16.1 of the TRIPS Agreement, since Article 14(3) of the GI Regulation "says that the registration of a geographical indication shall be refused if it is likely to lead to confusion with a trademark."¹⁵¹ Even if Article 14(3) could be interpreted in this way, as noted earlier, it would be insufficient to satisfy the terms of TRIPS Article 16.1, which grants to *trademark owners* the right to prevent *uses* of confusing identical or similar geographical indications. In any event, the interpretation of Article 14(3) offered by the EC in these proceedings is not supported by the text of the provision, and is irreconcilable with the interpretation of the provision offered by the EC outside the bounds of this dispute. Article 14(3) merely empowers the EC authorities to refuse registration of a geographical indication that, on its face, is misleading with respect to trademarks that enjoy reputation, renown and use.

166. Thus, Article 14(3) will not stop registration of *all* geographical indications that may be used in a confusing manner with respect to identical or similar valid registered trademarks. And use of those confusing geographical indications that are registered is immune from the reach of TRIPS Article 16.1. By virtue of the EC GI Regulation, even if the owner of a prior valid registered trademark can prove that use of an identical or similar geographical indication that has been registered raises a likelihood of confusion, it cannot prevent continued use of that geographical indication in a manner that results in a likelihood of confusion. This is inconsistent with the obligations of Article 16.1 of the TRIPS Agreement.

C. THE EC'S ASSERTION THAT FEW TRADEMARKS THAT CONTAIN OR CONSIST OF A GEOGRAPHICAL INDICATION ARE REGISTRABLE IS INCORRECT AND IRRELEVANT

167. In its first written submission and its responses to the Panel's questions, the EC asserts that few trademarks that contain or consist of a geographical indication will be distinctive and therefore registrable. According to the EC, it will therefore only be the rare occasion in which a conflict would arise between a valid registered trademark and a registered geographical indication.¹⁵² As the United States noted in its oral statement,¹⁵³ the United States is concerned with those trademarks that contain or consist of a geographical indication that are in fact registrable and validly registered, however few their number. The owners of those trademarks must be accorded their Article 16.1 rights.

168. Moreover, the United States does not concede that the number of trademarks containing or consisting of a geographical indication that are registrable is necessarily small. First, under Article 2(3) of the EC GI Regulation, non-geographical names are subject to registration as geographical indications. Even if the EC believes that a trademark containing or consisting of a geographical name would not qualify as distinctive, it presumably cannot easily extend that argument to trademarks that contain or consist of a non-geographic name.

169. Second, it is simply untrue that valid registered trademarks cannot incorporate certain "geographical" elements. The United States has cited to the hypothetical example of a trademark for LUNA, in connection with cheese, and potential registration of a geographical indication for use on cheese produced in Luna, Spain.¹⁵⁴ The United States has also cited to the example of FARO, a

¹⁵¹ EC Responses to Questions, para. 155.

¹⁵² EC First Written Submission, paras. 275, 278-285; EC Responses to Questions, para. 176.

¹⁵³ US Oral Statement, para. 49.

¹⁵⁴ US Oral Statement, para. 50.

registered Community trademark for coffee and tea, and potential registration of a geographical indication for use on coffee produced in Faro, Portugal.¹⁵⁵

170. Thus, valid registered trademarks containing or consisting of a geographical indication exist, and there is no evidence whatsoever that they are few in number. Even if the number of such trademarks were small, however, the owners of all valid registered trademarks must be granted their TRIPS Article 16.1 rights. Under the EC GI Regulation, by contrast, the very best these trademark owners can hope for is the ability to continue selling products with their trademarks affixed. The trademark owners cannot exercise the right to prevent uses of identical or similar geographical indications, even if those uses confuse consumers.

D. ARTICLE 24.5 OF THE TRIPS AGREEMENT IS NOT AN EXCEPTION TO THE RIGHTS ACCORDED TO TRADEMARKS

171. As a defense against the claim that the GI Regulation is inconsistent with the EC's Article 16.1 obligations, the EC asserts that Article 24.5 of the TRIPS Agreement specifically allows for the type of "co-existence" of GIs and trademarks established by the GI Regulation.¹⁵⁶ The United States has demonstrated that the EC's interpretation is incorrect for multiple reasons, among them that Article 24.5 is a clearly-labeled exception to the obligation to protect GIs in Part II, Section 3 of the TRIPS Agreement.¹⁵⁷ An "exception" excepts or "exempts" something from the "scope of a proposition", which in this case is the scope of protection accorded to geographical indications.¹⁵⁸ The Appellate Body has interpreted provisions based on similar considerations of their place in the overall structure of the covered agreement at issue, including consideration of the headings or titles of sections.¹⁵⁹

172. Accordingly, Article 24.5 provides an exception to the protection of GIs that shields certain trademarks; it is not an exception to the trademark obligations under Article 16.1 of the TRIPS Agreement. The EC acknowledges that "Article 24.5 is not an 'exception' to Article 16.1"¹⁶⁰, but nevertheless advocates an interpretation of Article 24.5 that places it in that position. The EC's reasoning attempts to transform a provision that *protects* certain grandfathered trademarks into a provision that empowers it to prejudice trademarks.

173. Because the EC is attempting to use Article 24.5 as an affirmative defense to the violation of Article 16.1 by the GI Regulation, the EC bears the burden of proof on this issue.¹⁶¹ This follows from the Appellate Body's guidance in *Japan-Apples* that "although the complaining party bears the burden of proving its case, the responding party must prove the case it seeks to make in response."¹⁶² Despite the EC's implication to the contrary,¹⁶³ the fact that the United States referred to Article 24.5 in its panel request does not change this burden, especially since the United States has made clear through its first written submission that it is not necessary for the Panel to even consider Article 24.5 to find a violation of Article 16.1, as Article 24.5 is an exception to GI protection, not trademark

¹⁵⁵ US Responses to Questions, para. 79.

¹⁵⁶ EC First Written Submission, paras. 294-309; EC Response to Panel Question 76.

¹⁵⁷ US Oral Statement, paras. 57-58; US Response to Panel Question 78.

¹⁵⁸ See US Response to Panel Question 78, at para. 59, citing *New Shorter Oxford English Dictionary* (Fourth Ed. 1993), p. 872.

¹⁵⁹ See Appellate Body Report, *Canada - Dairy*, para. 134 ("A strong presumption arises that the language which is inscribed in a Member's Schedule under the heading, 'Other terms and Conditions', has some *qualifying* or *limiting* effect on the substantive content or scope of the concession or commitment."); US Responses to Panel Question 78, paras. 111-112.

¹⁶⁰ EC Response to Panel Question 75, para. 197.

¹⁶¹ See US Response to Panel Question 75, paras. 91-92.

¹⁶² Para. 154.

¹⁶³ EC Response to Panel Question 75, para. 198.

protection.¹⁶⁴ Nevertheless, in light of the EC's reliance on Article 24.5 as a defense to the claim that the EC GI Regulation is inconsistent with Article 16.1, the United States has provided a detailed interpretation of Article 24.5 consistent with the international customary rules of treaty interpretation, considering the ordinary meaning of the provision, its context, and the object and purpose of the Agreement.¹⁶⁵ This analysis demonstrates that the statement in Article 24.5 that Members shall not implement the GI section in a manner that "prejudice[s] ... the validity of the registration of a trademark" requires that owners of grandfathered trademarks continue to be accorded their Article 16.1 rights to prevent all others, including GI right holders, from confusing uses.¹⁶⁶ Specifically, the ordinary meaning of "validity of the registration of a trademark" refers to the possession of legal authority accorded by virtue of the entrance of a trademark in a register. As the legal authority accorded by trademark registration is defined in Article 16.1, it follows that the validity of a trademark registration will be "prejudiced" or damaged if a Member fails to allow the trademark owner to prevent all others from confusing uses.

174. Moreover, Article 15.1 of the TRIPS Agreement clarifies that if a sign is not capable of "distinguishing the goods or services of one undertaking from those of other undertakings" – either inherently or through use – then it cannot constitute or function as a trademark, as it is not considered "protectable subject matter". The denial of the right to prevent confusing uses of the trademark prejudices the ability to establish and maintain the trademark's ability to distinguish goods of one enterprise from those of another and thereby prejudices its capability of "constituting a trademark."¹⁶⁷ This is another way in which depriving a trademark owner of his right to prevent confusing uses of similar or identical signs would prejudice the "validity of the registration of a trademark."

175. Indeed, the EC adopted this very view when it argued that the grounds for determining the admissibility of objections to a GI registration under Article 7(4) of the GI Regulation – that it would "jeopardize the existence ... of a mark" – "encompasses any instance of likelihood of confusion between the proposed geographical indication and an earlier trademark".¹⁶⁸ If, according to the EC, allowing confusing uses would "jeopardize the existence ... of a mark", then allowing confusing uses, contrary to Article 16.1 of the TRIPS Agreement, would also appear to "prejudice ... the validity of the registration of a trademark" under Article 24.5.¹⁶⁹

176. The United States has also explained that the additional prohibition against "prejudice ... [of] the right to use a trademark" refers to the harm or damage to the permitted or forbidden activity

¹⁶⁴ See, e.g., US First Written Submission, para. 142.

¹⁶⁵ US Oral Statement, paras. 57-67; US Response to Panel Question 76.

¹⁶⁶ US Response to Panel Question 76, paras. 97-99.

¹⁶⁷ For example, when considering the case of the "SL" trademark owned by Mercedes-Benz, and the concurrent use by Fiat of that same sign, the German Federal Supreme Court stated that concurrent use by others of Mercedes' "SL" mark could put at risk the very existence of Mercedes' SL mark. Federal Supreme Court (Bundesgerichtshof), Decision 06.12.1990 – Case No. 1 ZR 297/88 ("SL"), published in IIC 1992 Heft 02, 286. ("Of more importance is, however, another aspect, which may determine not merely the reputation, but also the very existence of the plaintiff's trademark... [I]t could be expected that other vehicle manufacturers might soon follow the defendant's example [of concurrently using the trademark without permission]... [A]s a result, ... the mark SL would not merely be impaired but its essential function as the distinctive sign of the goods would be threatened, and in the long term its very existence would be at risk.") Exhibit US-67.

¹⁶⁸ EC Response to Panel Question 68, para. 160.

¹⁶⁹ If a trademark is deemed invalid, and removed from a register in jurisdictions in which ownership is determined by registration, it can be said that it no longer exists, in particular in the ability of its owner to exclude all third parties from using it. Moreover, "prejudice" and "jeopardize" have virtually identical meanings. The definition of "prejudice" is "injury, damage, **harm**" (*New Shorter Oxford English Dictionary* (Fourth Ed. 1993), p. 2333.), while the definition of "jeopardize" is "put into jeopardy, endanger, put at risk", and "jeopardy" refers to "risk of loss, **harm**" (*New Shorter Oxford English Dictionary* (Fourth Ed. 1993), p. 1444.) Exhibit US-68.

associated with the application of a trademark to its purpose.¹⁷⁰ Based on the context of Articles 15.1 and 16.1 of the TRIPS Agreement, the purpose of a trademark is to allow its owner to distinguish the owner's goods from the goods of others, which requires that trademarks accord their owners the right to prevent all others from uses that would cause a likelihood of confusion.¹⁷¹ Thus, the "right to use" the trademark for its purposes encompasses the right to exclude others from using the trademark.

177. The EC would convert an *additional* restriction on measures to implement the GI section of the TRIPS Agreement – that the GI not prejudice the right to use a trademark – into a *reduction* in the protection of trademarks. For the EC, Article 24.5 means that the measures *can* prejudice the basic right of the trademark owner to prevent confusing uses of similar or identical signs that result in a likelihood of confusion with respect to the trademark. There is simply nothing in Article 24.5 that would support such a conclusion.

178. Even if one were to resort to the negotiating history (and under the customary rules of interpretation reflected in the *Vienna Convention*, one would not normally have recourse to negotiating history), as the United States has already noted,¹⁷² the progress made between the Brussels draft and the Dunkel draft show that the language of Article 24.5 evolved from a simple prohibition against invalidation or denial of registration (in the Brussels Draft) to a requirement that Members not even "prejudice" the validity of the registration of the trademark. Further, this prohibition on prejudice was extended to cover common law trademarks, and a prohibition against prejudicing the right to use a trademark – on grounds of similarity with a GI – was added. Nowhere in this negotiating history – in which the scope of protection for certain trademarks was steadily increased – is there any indication of an intention to permit the emasculation of the very heart of the trademark right.

179. The EC's *Vienna Convention* analysis of Article 24.5 is seriously flawed. Starting with the ordinary meaning, the EC inexplicably begins with the curious statement that "A 'trademark' is not a right", referring to Article 15.1 of the TRIPS Agreement for support.¹⁷³ Apparently, the EC makes this statement in order to justify its argument that the word "trademark" should be understood without regard to the trademark's inherent rights. But this is incorrect. Article 15.1 explains the types of "signs" that are *capable* of constituting a trademark. In fact, the title of Article 15 is "Protectable Subject Matter", indicating what signs may be capable of functioning as trademarks if they meet the criteria in TRIPS Article 15, *i.e.*, the ability to distinguish goods, as well as any statutory criteria under national law. Of course, a simple "sign" is not a right. The term APPLE is merely a word in the public domain that identifies a type of fruit. But once the term APPLE is used as a source indicator and a quality guarantee for computers, it functions as a trademark. Furthermore, once a sign is registered as a trademark, Article 16.1 specifically states that a trademark accords to its owner certain

¹⁷⁰ US Response to Panel Question 76, para. 102.

¹⁷¹ The Appellate Body in *US – Section 211* emphasized the importance of the exclusive nature of these rights, finding that Article 16.1 confers on the owner of "registered trademarks an internationally agreed minimum level of 'exclusive rights' that all WTO Members must guarantee in their domestic legislation", and that these exclusive rights "protect the owner against infringement of the registered trademark by unauthorized third parties." Appellate Body Report, *United States – Section 211*, para. 186. See also Advocate General's Opinion in Case C-10/89, *SA CNL-Sucal NV v. HAG GFAG*, delivered on 13 March 1990 [1990] ECR I-3711, at para. 19 ("A trademark can only fulfil that role [*i.e.*, to identify the manufacturer and to guarantee quality] if it is exclusive. Once the proprietor is forced to share the mark with the competitor, he loses control over the goodwill associated with the mark. The reputation of his own goods will be harmed if the competitor sells inferior goods. From the consumer's point of view, equally undesirable consequences will ensue, because the clarity of the signal transmitted by the trademark will be impaired. The consumer will be confused and misled."). Exhibit US-8.

¹⁷² US Responses to Panel Questions, paras. 99, 104; US Oral Statement, paras. 64-65.

¹⁷³ EC Response to Panel Question 76, at para. 200.

"exclusive rights". Thus, the EC's conclusion that "the 'right to use a trademark' is the right to use a sign" is unsupported by the ordinary meaning of "trademark".

180. The EC attempts to support its "ordinary meaning" interpretation of the phrase "right to use a trademark" by reference to a WIPO publication that, according to the EC, breaks down the "right to use the trademark" into two entirely separate elements – "the right to use the trademark" and "the right to exclude others from using the mark", where the former relates to the right to place the trademark on labels, packaging, etc.¹⁷⁴ These statements are irrelevant and misleading. Not only would a WIPO publication not be part of the "context" of the WTO agreements for purposes of a *Vienna Convention* type of analysis, WIPO was not even purporting to interpret the ordinary meaning of "right to use" in the context of Article 24.5 of the TRIPS Agreement. Moreover, the EC appears to take these quotes out of context. In the two publications cited by the EC for the same concept¹⁷⁵, WIPO explains as follows:

A trademark is any sign that individualizes the goods of a given enterprise and distinguishes them from the goods of its competition. This definition comprises two aspects, *which are sometimes referred to as the different functions of the trademark, but which are, however, interdependent, and for all practical purposes should always be looked at together.*¹⁷⁶

181. WIPO also states in both publications that "[i]t follows from the mark's basic function of distinguishing the goods of its owner from those of others that he must be able to object to the use of confusingly similar marks in order to prevent consumers and the public in general from being misled. This is the *essence of the exclusive right* afforded to the trademark owner by registration."¹⁷⁷ Reading these two statements together, it is clear that WIPO considers that the right to affirmatively use a trademark (*i.e.*, to "individualize the goods of a given enterprise"), and the right to exclude all others from confusing uses (*i.e.*, to "distinguish [goods] from the goods of its competition"), are "interdependent, and for all practical purposes should always be looked at together."¹⁷⁸ The EC, however, ignores the interdependence of these two concepts, thereby contradicting WIPO's own understanding that they should always be considered together.

182. As for the protection in Article 24.5 against measures that "prejudice ... the validity of the registration of a trademark", the EC has explained that a trademark is either valid or invalid¹⁷⁹, thereby entirely ignoring the important effect of the word "prejudice" detailed by the United States, a word that was specifically added by the drafters after the Brussels draft.

183. In examining the context, the EC repeatedly refuses to address the fact that Article 24.5 is a clearly-labeled "exception" to the GI section.¹⁸⁰ Instead, the EC argues that the interpretation by the United States would result in a situation in which GI protection would be virtually meaningless, as GI

¹⁷⁴ EC Response to Panel Question 76, paras. 201-202.

¹⁷⁵ See EC First Written Submission, para. 303, n. 146; EC Response to Panel Question 76, paras. 201-202.

¹⁷⁶ WIPO, Introduction to Intellectual Property Theory and Practice (Kluwer 1997), p. 184 (emphasis added) (Exhibit US-69); WIPO, Introduction to Trademark Law & Practice: The Basic Concepts, A WIPO Training Manual (1993), pp. 9-10 (emphasis added) (Exhibit US-70).

¹⁷⁷ WIPO, Introduction to Intellectual Property Theory and Practice (Kluwer 1997), p. 205 (emphasis added) (Exhibit US-69); WIPO, Introduction to Trademark Law & Practice: The Basic Concepts, A WIPO Training Manual (1993), p. 52 (emphasis added) (Exhibit US-70).

¹⁷⁸ WIPO, Introduction to Intellectual Property Theory and Practice (Kluwer 1997), p. 184 (emphasis added) (Exhibit US-69); WIPO, Introduction to Trademark Law & Practice: The Basic Concepts, A WIPO Training Manual (1993), pp. 9-10 (emphasis added) (Exhibit US-70).

¹⁷⁹ EC Answer to Question 76, paras. 203-204.

¹⁸⁰ EC Answer to Question 76, paras. 212-213.

owners would be "prohibited ... from even using that indication."¹⁸¹ The EC apparently misunderstands the scope of the rights accorded to trademark owners by Article 16.1, which provides the right to prevent all uses that "result in a likelihood of confusion." Pursuant to the proper interpretation of Article 24.5, GIs that are identical or similar to trademarks can indeed be used in an affirmative way, but only to the extent that they do not result in a likelihood of confusion with respect to grandfathered trademarks.

184. Rather than addressing the negotiating history of Article 24.5 on its own terms, the EC purports to interpret Article 24.5 based on the negotiating history of an entirely different provision – Article 24.4.¹⁸² Article 24.4 provides an exception to Article 23 of the TRIPS Agreement, by grandfathering certain uses of geographical indications for wines and spirits, by persons other than that GI right holders, that would otherwise be prohibited pursuant to Article 23 of the TRIPS Agreement. In its current form, Article 24.4 does not refer to trademarks.

185. Although, as pointed out by the EC, it is true that the precursor to Article 24.4 specifically referred to trademarks, it did so only as a subset of the broader category of geographical indications "used with regard to goods originating outside the territory of the PARTY ... by nationals or domiciliaries of another PARTY."¹⁸³ Unlike with Article 24.5 and its predecessors, trademark rights were not the focus of Article 24.4. The phrase "including [use] as a trademark" simply pointed to an example of the type of sign that might be affirmatively used. Thus, in this context, it was logical to address the affirmative right to use signs or indications on labels, advertising, etc., as the non-trademark owners in the broad group of users addressed by the provision likely had no intellectual property rights at all to address. The EC, however, somehow finds the possibility for co-existence of trademarks and geographical indications where none existed, in an early version of Article 24.4 that mentions trademarks only in passing. Moreover, as a clearly-marked exception to GI protection, there was nothing in the provision that would diminish the protection required by Article 16.1.

186. Despite the EC's explanation to the contrary, the removal of the specific reference to trademarks in the Dunkel draft did not appear to have any practical effect on Article 24.4. The drafters likely decided that there was no need to specifically mention the use of a GI as a trademark, given that it is already implied by reference to "continued and similar use of a particular geographical indication", where that affirmative use of a trademark was simply one of a number of types of uses. It follows that if the affirmative use of a GI by others, whether or not any intellectual property rights were involved, is grandfathered, then affirmative use of a trademark must also be grandfathered. Why should trademarks be at a *disadvantage* to users who have no intellectual property rights at all. Thus, the reference to trademarks in the prior version of Art. 24.4 was simply superfluous, as there is no reason to believe that affirmative use of trademarks is now excluded from its scope.

187. In addition, however, even if the added prohibition in Article 24.5 on prejudicing the "right to use" a trademark includes the affirmative right to use the trademark in connection with goods, this *added* prohibition does not *eliminate* or *reduce* the prohibition on prejudicing the right to exclude others from using identical or similar signs. Contrary to the EC's claims,¹⁸⁴ there is nothing duplicative about protecting both the trademark owner's right to exclude others from using identical or similar signs and protecting that owner's right to use the trademark in commerce. To the contrary, including both protections ensures that the implementation of the GI obligations does not prejudice the trademarks falling under Article 24.5.

¹⁸¹ EC Response to Question 76, para. 212.

¹⁸² EC Response to Question 76, paras. 216-219.

¹⁸³ Gervais, *The TRIPS Agreement – Drafting History and Analysis*, Excerptions from the Brussels Draft, Paragraph 1 (Prior Version of Article 24.4), pages 201-2. Exhibit US-71.

¹⁸⁴ EC Responses to the Panel's Questions, para. 207.

E. ARTICLE 24.3 OF THE TRIPS AGREEMENT DOES NOT PERMIT OR MANDATE THE EC'S VIOLATION OF ARTICLE 16.1 OF THE TRIPS AGREEMENT

188. The EC argues that Article 24.3 of the TRIPS Agreement *requires* the EC to deprive trademark owners of their Article 16.1 rights. In doing so, however, the EC is forced to ignore critical elements of the ordinary meaning of the provision, as well as its context and the object and purpose of the TRIPS Agreement. In particular, the EC entirely ignores the first four words of Article 24.3.

189. Article 24.3 begins with the phrase "In implementing this Section", and then proceeds to detail what a Member shall not do "In implementing this Section". The EC's reading of Article 24.3, in addition to ignoring the fact that it is a clearly-marked exception to GI protection, transforms the language "In implementing this *Section*" into "In implementing this Agreement." As detailed herein, these have two very different meanings.

190. The phrase "this Section" refers to Part II, Section 3 of the TRIPS Agreement – the GI section. It follows that Article 24.3 does not establish any limitations on what Members must do in implementing *other* sections of the TRIPS Agreement, such as the trademark or copyright sections. For example, Article 24.3 does *not* say that "In implementing *the trademark section* (Section 2), a Member shall not diminish the protection of geographical indications ...".

191. Indeed, with respect to the GI Regulation, in implementing the trademark section of the TRIPS Agreement and Article 16.1 thereof, the EC was in fact *required* to amend the GI Regulation in order to comply with the obligations of that Section. Pursuant to Article 1.1 of the TRIPS Agreement, Members are permitted to implement more extensive protection than required by the TRIPS Agreement, "provided that such protection does not contravene the provisions of this Agreement." The United States has shown that the extensive protection provided to GIs by the GI Regulation does, in fact, contravene the provisions of the TRIPS Agreement – specifically, Article 16.1. As detailed above, Article 24.3 does not provide an exception to a Member's obligations under Article 16.1.

192. As detailed in the oral statement of the United States, the EC misconstrues Article 24.3 to create a major and permanent exception to not just the trademark section, but to every other section of the TRIPS Agreement. Under the EC's interpretation, a Member has an obligation to apply all aspects of a pre-TRIPS GI regime to all GIs – including those registered after 1 January 1996 – even though that means that the Member will never, for instance, fully implement the rights granted trademark owners by Article 16.1. To illustrate, the EC's reading would mean that a country acceding to the WTO could permanently avoid the results of its TRIPS negotiations on trademark protection by introducing a "co-existence" regime the day before its accession took effect. Indeed, a Member could have introduced a GI protection system under which all similar trademarks, regardless of when registered, had to be invalidated, regardless of any other WTO obligation. This would have provided a road map for Members to avoid the disciplines of the TRIPS Agreement, as the TRIPS Agreement text, and Article 24.3 in particular, was essentially agreed to by December 1991, three years before the WTO Agreement came into force.¹⁸⁵

193. Under the EC's expansive reading of Article 24.3 – requiring a freezing of GI protection systems regardless of *any* WTO obligation (and not just the GI obligations) – a Member could put in place a GI "protection" regime that exempted GI owners from the copyright and patent disciplines, or, indeed, any other WTO obligations, and then point to Article 24.3 as a broad exception to those obligations. Contrary to the customary rules of treaty interpretation, this would permanently render

¹⁸⁵ The GI Regulation entered into force a year and a half later, on June 5, 1993

redundant parts of the TRIPS Agreement, and would lead to manifestly absurd results.¹⁸⁶ For instance, a WTO Member could deny copyright protection to any film that used the word "parmesan" in connection with any product other than the product qualifying in the EC for that name, and claim that Article 24.3 granted an exception to copyright protection.

194. The EC responds that Article 24.3 is limited in scope because it relates only to measures that "diminish the *protection* of geographical indications", where protection should be narrowly defined in such a way that it relates to trademarks, but not to patents or copyrights (or, presumably, any other WTO rights and obligations).¹⁸⁷ The EC states that "[i]n order to 'protect' geographical indications it is not necessary, for example, to limit patent rights or copyrights."¹⁸⁸ But Article 24.3 is not limited to measures that are "necessary" to protect geographical indications: by the EC's reading, it simply creates a broad exception for any protection provided to GIs.

195. Even if Article 24.3 applied only to measures "necessary" to protect GIs, however, the EC has not explained why – and there is no evidence that – "protection of geographical indications" makes it "necessary" to eliminate Article 16.1 trademark rights for trademarks that are not misleading or otherwise subject to invalidation pursuant to the GI Section (Section 3) of the TRIPS Agreement.

196. Finally, the EC contends that the phrase "protection of geographical indications that existed" in Article 24.3 applies to systems of protection, rather than to the protection of individual geographical indications.¹⁸⁹ In support, the EC states that "existed" modifies the term "protection", rather than the term "geographical indications", and further points out that "geographical indications" is not premised with the word "the." At best, the EC has demonstrated that the text is ambiguous as to whether the emphasis is on "protection" or "geographical indications." For example, although the EC contends that the absence of the word "the" prior to the term "geographical indications" indicates that it does not refer to individual geographical indications, the Spanish version does, in fact, premise the phrase "indicaciones geográficas" with the word "las" (Spanish for "the"). The use of the word "existía" does not take away from this important fact. Similarly, in the French version, the word "des" means "of *the*" in English.

197. Moreover, it is not determinative that the subject of the verb "existed" is "protection", and not "geographical indications." "Protection" could just as easily mean protection as it relates to individual geographical indications, as it could mean the general scope or level of protection overall. Indeed, it is important to note that Article 24.3 does not refer to the "scope of protection" or "level of protection," which is inherent in the EC's interpretation.

F. THE EC HAS NOT SHOWN THAT THE GI REGULATION'S TREATMENT OF TRADEMARKS CONSTITUTES A LIMITED EXCEPTION WITHIN THE MEANING OF ARTICLE 17 OF THE TRIPS AGREEMENT

198. The EC argues that "co-existence" – by which it means the inability of a trademark owner to prevent infringing uses of identical or similar geographical indications – constitutes recourse to the "fair use of descriptive terms" limited exception included in Article 17 of the TRIPS Agreement.¹⁹⁰ The EC implies that there is support for this proposition based on the fact that US law includes a "fair

¹⁸⁶ Vienna Convention, Article 32(b).

¹⁸⁷ EC Response to Panel Question 74, para. 196.

¹⁸⁸ EC Response to Panel Question 74, para. 196.

¹⁸⁹ EC Response to Panel Question 74, paras. 187-193.

¹⁹⁰ EC First Written Submission, para. 318. While agreeing that it has the burden of demonstrating that the EC GI Regulation satisfies the limited trademark exception in Article 17, the EC fails to meet that burden. EC Response to Panel Question 75, para. 199.

use of descriptive terms" exception.¹⁹¹ The United States notes that US law with respect to this dispute is irrelevant, but the way in which the issue was raised is instructive for the Panel and for that reason, the United States will address the reference.

199. The EC is correct that the US Lanham Act provides for "the use of a term ... otherwise than as a mark ... of a term ... which is descriptive and used fairly and in good faith only to describe the goods ... of such party, or their geographical origin."¹⁹² There are two critical differences, however, between US law and the EC's apparent view of TRIPS Article 17. US law requires that the alleged infringer relying on the fair use defense must be able to show that he or she is using the term "otherwise than as a mark."¹⁹³ Because a "mark" functions as a distinctive identifier of a source of goods coming from a particular undertaking, the use of a term in commerce as such a distinctive source identifier that infringes the prior trademark would not be allowed, in US law, under the fair use defense. To be allowed under US law, the use must be in a non-trademark sense, or in other words, in a non-distinctive sense.¹⁹⁴

200. The second critical difference between US law and the EC's apparent view of Article 17 is that US law calls for a case-by-case analysis of whether the particular use of a sign at issue in a given case is in fact "fair use of a descriptive term", with an examination of whether the use is in a non-trademark sense, whether there is good faith use, and other factors.¹⁹⁵ The EC, by contrast, apparently considers that every use of a registered geographical indication that is similar or identical to a registered trademark is automatically "fair use of a descriptive term," by virtue of the simple fact that the geographical indication has been registered.

201. The United States has explained that a blanket inability of trademark owners to prevent confusing uses of registered GIs does not constitute a "limited exception" within the meaning of Article 17 of the TRIPS Agreement.¹⁹⁶ The same phrase in TRIPS Article 30 has been interpreted by the panel in *Canada – Patent Protection* "to connote a narrow exception – one which makes only a small diminution of the rights in question."¹⁹⁷ With respect to the exception to patent rights (*i.e.*, Article 30), the panel agreed with the argument presented by the EC in that case that the term "'limited' is to be measured by the extent to which the exclusive rights of the patent owner have been curtailed."¹⁹⁸

¹⁹¹ EC First Written Submission, para. 318 (note 154).

¹⁹² Section 33(b)(4) of the US Lanham Act (15 USC 1115(b)(4)). Exhibit EC-6.

¹⁹³ 15 US C. Section 1115(b)(4).

¹⁹⁴ Because GIs are intellectual property rights for purposes of the TRIPS Agreement, they are not merely descriptive terms, as the EC claims, or they would not be protectable. They are protectable under the TRIPS Agreement because they are indicators of geographic origin where a given reputation, quality or other characteristic is essentially attributable to that geographic origin - something more than just a mere place name. Therefore, if used as a GI - which under US law means used as a mark or indicator of source or some other characteristic other than merely a place name - they are not "descriptive" terms.

¹⁹⁵ The GI Regulation would similarly have called for a case-by-case analysis, had the EC not specifically rejected a proposed amendment by the Committee on Legal Affairs and the Internal Market of the European Parliament that would have incorporated the substantive disciplines of trademark law, including the fair use exception, into the GI Regulation. *See* US Oral Statement, at para. 75, citing Opinion of the Committee on Legal Affairs and the Internal Market for the Committee on Agriculture and Rural Development on the proposal for a Council regulation amending Regulation (EEC) No 2081/92 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs, European Parliament, 2002/0066(CNS) (10 September 2002), pp. 13-14. Exhibit US-21.

¹⁹⁶ US Oral Statement, paras. 74-75.

¹⁹⁷ Panel Report, *Canada – Patent Protection*, para. 7.30. Although the panel, in *Canada – Patent Protection*, was interpreting Article 30 of the TRIPS Agreement, it noted that all of the exception clauses in the TRIPS Agreement (Articles 13, 17, 26.2 and 30) were derived from the same model – Article 9(2) of the Berne Convention for the Protection of Literary and Artistic Works. *Id.* at para. 7.71 n. 420.

¹⁹⁸ *Id.*, para. 7.31.

202. TRIPS Article 17 further provides that exceptions must "take account of the *legitimate interests of the owner of the trademark*."¹⁹⁹ In interpreting the phrase "legitimate interests" with respect to TRIPS Article 13, in the copyright context, the *US – Section 110(5)* panel found that one way to look at "legitimate interests is the economic value of the exclusive rights conferred" by the intellectual property right on its holder.²⁰⁰ Moreover, Article 17 provides that the limited exception must take account of the interests "of third parties." Among such third parties are consumers that are likely to be confused by the use of a sign, including of a geographical indication, that is identical or similar to a registered trademark.

203. Applying this analysis, the inability of a trademark owner to prevent a competitor from using an identical or similar sign in the course of trade could, in most cases, destroy the economic value of the trademark by severely curtailing the "economic value of the exclusive rights conferred." The GI Regulation places no limits on the manner in which a geographical indication can be used. Instead, the Regulation calls for simultaneous use of trademarks and conflicting registered GIs without taking "account of the legitimate interests of the owner of the trademark and of third parties."

204. A limited exception to trademark protection, such as that provided by a "fair use of descriptive terms" exception should take into account the legitimate interests of the trademark owner and of third parties. It should be possible to inform consumers about the origin of a product and its characteristics through the use of descriptive terms in a non-trademark sense without affirmatively confusing the consumer about the source of the goods. It is possible simultaneously to protect the legitimate interests of the consumer, the GI owner, and the trademark owner.

205. The EC also argues that with "co-existence," there is only a "limited" exception because the trademark owner's Article 16.1 rights are violated "only" by those qualified to use the GI.²⁰¹ However, providing protection to trademark owners against all but "one" type of use (*i.e.*, use of geographical indications in any way), as the EC proposes, does not provide for a limited exception. The blanket "exception" granted by the EC is in no sense "limited" or tailored whatsoever to the legitimate interests of the particular trademark owner involved. Furthermore, there are no limits on the number of potential GI right holders for each individual GI. Under the EC's proposed "limited" exception, a trademark owner may be forced to allow concurrent use by tens, hundreds, or even thousands of GI right holders that cause a likelihood of confusion with respect to the trademark.

206. The United States also notes that even under the EC's own interpretation of Article 17, the EC fails to acknowledge that non-geographic names are subject to registration under Article 2(3) of the GI Regulation (*e.g.*, Feta). The EC has not explained how the Article 17 fair use exception could apply to non-geographic terms.

207. Finally, the EC asserts that the GI Regulation takes into account the legitimate interests of the trademark owner and of third parties in three ways.²⁰² First, the EC states as follows:

[E]ven if Article 14(3) of Regulation 2081/92 does not avoid completely the registration of confusing trademarks, it would at the very least prevent the most significant cases of confusion, in the interest of both the trademark owner and the consumers.

¹⁹⁹ Emphasis added.

²⁰⁰ Panel Report, *US – Section 110(5)*, para. 6.227.

²⁰¹ EC Responses to Panel Questions, para. 317.

²⁰² EC Responses to Panel Questions, para. 319.

208. In other words, the EC appears to be arguing that diminishing Article 16.1 rights for all trademarks other than well-known marks constitutes a "limited exception". But well-known marks constitute a narrow subset of all trademarks protected by Article 16.1. And Article 17 addresses "limited exceptions to the rights conferred by a trademark", implying an analysis for each trademark, rather than general exceptions to a broad class of trademarks (in this case, all trademarks that are not well-known). As noted above, this is in sharp contrast to the EC GI Regulation, which offers a blanket exception that is not limited to the legitimate interests of the particular trademark owner involved.

209. Next, the EC states that geographical indications serve to provide valuable information to consumers, and thereby "take account of the legitimate interests ... of third parties." This statement is incorrect. This dispute concerns the very situation in which a registered GI is used in a manner likely to result in confusion *vis-a-vis* a prior trademark. This will harm the interests of consumers, contrary to the claims of the EC, as they will purchase products that they do not intend to purchase because of confusion over the name.

210. Lastly, the EC states that the legitimate interests of trademark owners and third parties are taken into account by EC legislation, because use of the registered GI is subject to EC legislation on labeling and misleading advertising, and by member State laws on unfair competition. Here the EC does not even pretend to consider the interests of trademark owners or of third parties in the manner required by TRIPS Article 17. Instead of taking into consideration the legitimate interests of the owner of "the" trademark that may be subject to fair use – as required by Article 17 – the EC proposes a blanket exception to a broad class of trademarks (here, all prior, registered trademarks that co-exist with registered GIs). The fact that certain acts that constitute trademark infringement may also be subject to prohibition under other EC or member State legislation is simply not relevant to a determination as to whether the infringement of a given trademark by a given use is subject to the fair use defense.

211. In sum, the EC is far from sustaining its burden of proving that the EC GI Regulation falls within the "limited exceptions" permitted under Article 17.

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

212. As the United States stated in its first written submission, the EC GI Regulation fails in several respects to provide the required legal means to interested parties with respect to geographical indications.²⁰³ First, as discussed above, because the GI Regulation imposes requirements of equivalence and reciprocity and requires certain inspection structures of the WTO Members in which the relevant geographical area is found, it does not make the legal means available to all interested parties to protect their GIs, or to object to the registration of misleading GIs. The EC's only response is that there are no conditions of reciprocity and equivalence imposed on WTO Members.²⁰⁴ The EC makes no response with respect to the requirement for inspection structures. The United States submits that these conditions do exist and that they mean that interested parties in non-EC WTO Members do not have the required legal means to protect their GIs or to object to the registration of misleading GIs.

213. Similarly, the United States argued that the requirement that nationals of non-EC WTO Members cannot apply for registration and protection, or object to a GI registration directly, but must rely on the active participation and involvement of their home government is also a failure to provide

²⁰³ Paras. 171-183.

²⁰⁴ EC First Written Submission, para. 423.

the required legal means.²⁰⁵ The EC's only response is that this is a "reasonable procedure and formality" under Article 62.1 of the TRIPS Agreement. With all due respect, that is beside the point. Many nationals of non-EC WTO Members are simply unable to meet the conditions for registration or objection, because of factors that are out of their control. These interested parties do not have the legal means to register and protect their GIs, or to object to the registration of a GI, because the EC has failed to provide those legal means to them. This failure is inconsistent with Article 22.2 of the TRIPS Agreement.

214. The United States also argued that the GI Regulation appears to require an economic interest in the EC as a prerequisite to filing an objection,²⁰⁶ whereas Article 22.2 of the TRIPS Agreement provides that legal means must be provided to all interested parties, including those with an economic interest outside the EC. The EC's response is to deny that there is any such requirement. The United States requests, therefore, that if the Panel agrees that there is such a requirement, that the Panel make a finding that it is inconsistent with Article 22.2.

215. Finally, the US argued that, whereas Article 22.2 obligates the EC to provide interested parties with the legal means to prevent misleading uses of geographical indications, the GI Regulation only permits objections on the grounds that the registration would "jeopardize the existence of an entirely or partly identical name or of a mark or the existence of products which have been legally on the market for at least five years."²⁰⁷ Plainly, a registered name might be misleading without necessarily satisfying the high standard for objections in the GI Regulation, so these grounds are narrower than permitted under Article 22.2. The EC counters that such a name would not be registered if it were misleading.²⁰⁸ But this argument ignores the fact that it is the interested parties who should be provided the legal means to prevent such uses under Article 22.2, a requirement that cannot be satisfied by a conclusory and baseless statement that no "misleading" geographical indications would be registered in the first place.

216. Finally, the EC notes, at paragraph 433 - 436 of its first written submission, that the EC GI Regulation is not the only means to protect geographical indications, that there are various labeling, advertising, trademark, and unfair competition laws that achieve the same purpose. But this argument ignores two facts. First, with respect to the registration of GIs, according to Article 2(1) of the GI Regulation, the GI Regulation specifies that EC protection of geographical indications of agricultural products and foodstuffs "shall be obtained in accordance with this Regulation." It does not appear to permit EC protection of geographical indications to be obtained through other means. Second, with respect to objections to GI registrations, once a GI is registered on an EC-wide basis, there appears to be little opportunity for a interested party to prevent the uses of that GI under the national laws of EC member States or under EC or national trademark rules. Indeed, the EC has not provided any evidence to support its defense that other EC laws meet the EC's obligations under Article 22.2. Without such evidence, the EC's defense can only be seen as a concession that the GI Regulation does not meet the requirements of Article 22.2.

217. Consequently, the Panel should find that the EC GI Regulation is inconsistent with Article 22.2 of the TRIPS Agreement.

²⁰⁵ US First Written Submission, para. 177.

²⁰⁶ US First Written Submission, para. 181.

²⁰⁷ US First Written Submission, para. 182.

²⁰⁸ EC First Written Submission, para. 432.

IX. THE EC GI REGULATION IS INCONSISTENT WITH THE ENFORCEMENT PROVISIONS OF THE TRIPS AGREEMENT

218. The United States explained, in paragraphs 184 - 188 of its first written submission, that the EC GI Regulation is inconsistent with various TRIPS Agreement requirements to enforce intellectual property rights, because it denies trademark owners their Article 16.1 rights and fails to provide interested parties with the required legal means to prevent misleading uses of geographical indications or acts of unfair competition. Consequently, with respect to these infringements of intellectual property rights, the GI Regulation fails to make fair and equitable enforcement procedures or judicial review available (Articles 41.1, 41.2 and 41.4), including civil judicial procedures (Article 42), and fails to provide injunctive relief (Article 44.1).

219. The thrust of the EC's response is that the enforcement obligations of the TRIPS Agreement do not apply to the GI Regulation – that the GI Regulation is a procedure for the acquisition of intellectual property rights, not for enforcement.²⁰⁹ But the United States submits that, if a measure makes unavailable to rightholders the required enforcement procedures and remedies to prevent and deter infringements of covered intellectual property rights, that measure is inconsistent with the obligation under TRIPS to make such procedures and remedies available. The United States requests the Panel to so find with respect to the EC GI Regulation.

X. CONCLUSION

220. For the reasons set forth in this second submission, as well as the reasons set forth in the US first written submission, the US oral statement at the first Panel meeting, and in the answers to the Panel's questions, the United States requests that the Panel find that the EC GI Regulation is inconsistent with the EC's obligations under the TRIPS Agreement and the GATT 1994, and to recommend that the EC bring its measure into conformity with those requirements.

²⁰⁹ EC First Written Submission, paras. 358 *et seq.*

ANNEX A-6**OPENING STATEMENT OF THE UNITED STATES
SECOND SUBSTANTIVE MEETING**

(11 August 2004)

1. Good afternoon, Mr. Chairman and members of the Panel. We brought this dispute because the EC GI Regulation provides significant commercial benefits to products and persons receiving GI status under the Regulation, but imposes prohibitive barriers to access to these benefits on non-EC products and persons. The GI Regulation has both the design and the effect of protecting EC agricultural products and persons against competition from non-EC products and persons. Let's not forget that, after 12 years, there is not a single non-EC GI registered under the GI Regulation. Not one. By contrast, there are over 600 registered GIs for EC products and persons. Further, these substantial benefits are provided at the expense of owners of prior registered trademarks: those owners are supposed to have certain rights associated with their trademarks under the TRIPS Agreement. The EC GI Regulation eviscerates those rights – rights that are critical to the trademark owner – in favor, again, of those EC products and persons who receive GI protection. Although this violation of trademark rights is a claim separate from that of national treatment, it is consistent with the approach of the EC Regulation to protect its agricultural production, especially as agricultural subsidies are reduced or eliminated.

2. The first meeting of this Panel and the submissions of the EC have, if anything, confirmed our worst fears. Some of the violations of the WTO agreements are so extreme that the EC can defend the Regulation only by denying that it says what it says. Whole provisions in the Regulation are ignored, and whole new provisions are added, based on nothing except the EC's "assurances" during these proceedings of what the Regulation means, despite the fact that these "assurances" are contrary to both the text of the Regulation and to what the EC has consistently said to everyone – including complainants – outside this room in the past 12 years. This effective rewriting of the Regulation is based, in part, on the EC's assertions that the EC and the ECJ would never read any provision of the Regulation as inconsistent with the WTO Agreement, regardless of what the Regulation actually says. Such an assertion is nothing short of remarkable.

3. It is the job of this Panel, not of the EC, to clarify the nature of the WTO obligations and to make an objective assessment of the facts of this dispute, including the meaning of the EC GI Regulation. Contrary to the EC's hope, it is not the US burden to show that the US reading of the EC GI Regulation is the only "reasonable" one. It is our burden to make a *prima facie* case that the Regulation means what it says, which we have done on the face of the Regulation in the light of EC law. It was then up to the EC to present evidence rebutting that meaning. In this, the EC has failed. Although the EC hopes to hide behind a so-called "considerable deference" defense, the plain truth is that it is unable to come forward with a domestic authoritative legal instrument – such as that found in the Section 301 dispute – supporting the EC's new found reading of the Regulation. Further, if neither the ECJ nor the EC member States give "considerable deference" to the Commission's interpretation of its Regulation, it is hard to see how this Panel should have confidence that the ECJ would agree with the EC's interpretation. In short, there is no basis for the EC's newly created defense.

4. The United States would, in fact, welcome positive evidence, beyond the EC's mere hopes that the ECJ might in the future agree with its assertions in this dispute, that would support a finding that the WTO-inconsistent provisions in the GI Regulation do not apply to WTO Members. However, on the evidence currently before the Panel, the United States simply has no confidence that the EC's new reading of its Regulation is the correct one, or that the ECJ would so find.

5. One other preliminary comment. I ask the Panel to look closely at what the EC provided in its second submission with respect to the relevance of the WTO agreements to the interpretation of EC regulations. It has provided some scholarly opinions that the WTO agreements should not be ignored, and encouraging WTO-consistent interpretations of EC Regulations. But there is nothing in that submission to suggest that, in the case of this Regulation, the Commission's invention of new procedures for WTO Members is a "possible" reading of a Regulation that on its face requires reciprocity and equivalence for all third countries.

6. This oral statement is divided into three parts. The first discusses the national treatment and MFN violations under the TRIPS Agreement, the Paris Convention, and the GATT 1994. The second discusses the Regulation's violation of the GI obligations in the TRIPS Agreement – Article 22.2 – and of the enforcement obligations. The final section discusses the GI Regulation's violation of trademark rights under Article 16.1 of the TRIPS Agreement.

National Treatment/MFN

"nationals"

7. With respect to national treatment and MFN obligations under the TRIPS Agreement and the Paris Convention, a threshold question appears to be whether the Regulation treats non-EC nationals differently from EC nationals. The EC admits there are two tracks for registering a GI – a "domestic" track for persons established and producing GI products in the EC, and a "foreign" track for persons established and producing GI products outside the EC. But, according to the EC, these two separate tracks correspond to a difference in the origin of the product and of the GI, not a difference in the "nationality" of the producer. The EC further claims that "establishment" and "nationality" are two completely separate concepts, and that less favorable treatment based on where a person is established does not translate into less favorable treatment of nationals.

8. With all due respect, the EC's position is contrary to principles of treaty interpretation, does not reflect reality, and would render the national treatment obligation a virtual nullity. We, along with Australia and numerous third parties, have set out our position and concerns in our various written submissions on this issue, and I will not repeat all of those arguments now.

9. But I do want to highlight a few issues concerning the EC's overly narrow and restrictive interpretation of the national treatment requirement. First, this interpretation is contrary to the EC's own analysis in support of the GI Regulation. In arguing that the two separate GI Regulation "tracks" for objecting to a GI Registration are not based on nationality, the EC stated that "Article 7(3) of Regulation 2081/92 refers to persons which are resident or established in the EC, regardless of their nationality. Similarly, Article 12d(1) refers to persons resident or established outside the EC, regardless of their nationality."¹ But Article 12d was added to the Regulation just last year, and the EC justified that amendment as follows, and I quote, "[t]o satisfy the obligation resulting from Article 22 of the TRIPS Agreement it should be made clear that in this matter *nationals* of WTO member countries are covered by these arrangements."² The EC went on to say that "[t]he right of objection should be granted to WTO member countries' *nationals* with a legitimate interest on the same terms as laid down in Article 7(4) of the said Regulation."³ Thus, the EC itself equates where a person is from, *i.e.*, where that person is resident or established, with their nationality: before last year, there was one "domestic" track for persons "resident or established" in the EC, which the EC admitted did not make objections available to WTO Members' nationals. The EC then added an additional "foreign" track last year for persons "resident or established" outside the EC, to adequately

¹ EC First Written Submission, para. 142.

² Council Regulation No. 692/2003 of April 8, 2003, p. 2. Exhibit Comp-1h.

³ Council Regulation No. 692/2003 of April 8, 2003, p. 2. Exhibit Comp-1h.

cover "nationals" of WTO Member countries. The distinction in the two tracks for the registration of GIs is similar to that for objections – the track that applies depends on where the person is established and producing GI products – and likewise draws a distinction based on EC nationals, on the one hand, and non-EC nationals, on the other.

10. Second, the EC has said that the "foreign track" conditions of equivalence and reciprocity do not apply to WTO Members. According to the EC, this is because those conditions apply "without prejudice to international agreements", and, to avoid a conflict between those conditions and the national treatment obligations of the TRIPS Agreement, the conditions are eliminated such that the TRIPS Agreement prevails.⁴

11. Yet, by arguing that the reciprocity and equivalence conditions must be eliminated for WTO Members in order to respect the national treatment obligation, the EC obviously considers that those conditions result in less favorable treatment of nationals of other WTO Members. The EC cannot, then, credibly argue the contrary: that conditions that depend on the origin of the product and of the GI do not result in different, and less favorable, treatment of nationals seeking to register GIs for those products.

12. Further, although the EC would like to engage in a detailed discussion of whether "establishment" in a country always results in a person being a "national" of that country, this is not the point. It is beyond dispute that, at least for some WTO Members, including separate customs unions, a real and effective establishment makes a person a "national" of that WTO Member. Creating a separate track in the GI Regulation for such persons results in different treatment of those persons.

13. In addition, we have made clear that the EC GI Regulation effectively requires that, in order to register a GI on the same basis as an EC national, a non-EC national must produce a qualifying product in the EC. Requiring that a person be established in a country before being able to claim equal access to a system of intellectual property protection is a denial of national treatment. This is clear from Article 2(2) of the Paris Convention, which specifically prohibits conditioning the enjoyment of industrial property rights on establishment or domicile. But more than that, if such a requirement were permitted, what would stop the United States from providing that only those with domiciles or establishments in the United States can register trademarks, or file patent applications, in the United States? We, like the EC, could well argue that EC nationals are being treated the same as US nationals, since both have to be established in the United States to register a trademark, and neither can do so if they are domiciled or established in the EC. But this could hardly be considered to be national treatment. The EC argues that "with the growing appreciation and knowledge of agricultural products and foodstuffs protected by geographical indications" the current lack of foreign companies producing qualifying products in the EC will change.⁵ Although this may in fact be true, if companies are unable to obtain GI protection any other way except to abandon their existing GIs, and instead establish themselves in the EC and create a new EC GIs, this is little solace to US nationals now producing qualifying products in the United States, who are already entitled to as favorable treatment as their European counterparts.

14. Finally, from a practical point of view, it cannot be open to serious question that it is US nationals that have an interest in U.S.-based GIs and EC nationals that have an interest in EC-based GIs. In the United States, for instance, approximately 99% of agricultural land is owned by US

⁴ EC Second Written Submission, paras. 55-56.

⁵ EC Second Written Submission, para. 48.

nationals, and only 1% is owned by non-US nationals.⁶ The EC itself, unable to provide a single example of a US national owning an EC-based GI, can only speculate that this situation may change as the value of GIs associated with European products becomes recognized.⁷ A GI system that provides less favorable treatment to agricultural products and GIs located outside the EC than inside the EC does provide less favorable treatment to non-EC nationals than to EC nationals. While it is true, as the EC points out, that like Mr. Larsen of Cognac fame, a non-EC national can move to France, can buy a French company producing cognac, marry a French national and raise a family in France, we submit that requiring him to do so in order to register his GI on the same basis as EC nationals is hardly according him as favorable treatment as EC nationals.

15. The EC this morning provided several supposed examples of non-EC companies taking advantage of EC GIs. But, looking at the actual exhibits, it appears that these examples concern companies incorporated in EC member States. I am not sure on what basis the EC claims that these are foreign nationals claiming EC-based GIs.

16. By the way, the EC appears to be using Larsen Cognac House as an example of a non-EC national claiming an EC-based GI. I'm curious to know whether Larsen Cognac House, which has apparently produced cognac in France since 1926, is not an EC national, or whether, in fact, Mr. Larsen set up a legal entity that is an EC national before claiming GI status for his product.

17. In its oral statement this morning, the EC claimed that the scope of the national treatment obligation under the TRIPS Agreement was limited because of the national treatment provisions provided under Article III of the GATT 1994. There is nothing unusual, however, about both obligations applying to the same measure. The EC's view that Article III cuts into and narrows the national treatment obligation under the TRIPS Agreement is incorrect and has no basis in the Vienna Convention rules of treaty interpretation.

Reciprocity and Equivalence

18. With respect to the issue of reciprocity and equivalence, at this point, I can only repeat that the GI Regulation on its face sets out only two tracks for registering GIs: one for registering products and GIs originating in the EC and one for registering products and GIs originating in all other countries, *i.e.*, "third countries". Article 12(1) of the GI Regulation clearly says that all third countries hoping to benefit from the Regulation have to have a GI protection system that is equivalent to that in the EC and have to offer reciprocal protection to EC products. The EC says that these conditions do not apply to WTO Members, because to do so would be in violation of the WTO agreements (and to this we agree). Further, beyond the question of whether the WTO agreements must be considered in interpreting EC regulations, the GI Regulation does not provide any procedures for registering GIs from WTO Members. And neither does the TRIPS Agreement, which simply spells out general obligations. Thus, even if the reciprocity and equivalence requirements do not apply to WTO Members, nationals of WTO Members would still not be able to register their GIs because no procedures exist for this to occur.

19. The EC provides several examples of agreements containing language similar to the "without prejudice" language of Article 12(1) of the GI Regulation. But in each of those cases, there is a simple requirement in the regulation or directive that can be directly supplanted by a specific contrary obligation in the international agreement. For instance, if the requirement for local ownership in the air carrier regulation conflicts with an international agreement imposing a different ownership

⁶ Agricultural Resources and Environmental Indicators: Land ownership and farm structure, Economic Research Service, United States Department of Agriculture, July 2002, Chapter 1.3, p. 7. Available at www.ers.usda.gov/publications. Exhibit US-72.

⁷ EC Second Written Submission, para. 48.

requirement, the specific ownership provision in the international agreement can simply be applied. Consistent with these examples, the registration procedures and conditions in Articles 12(1) and 12a could be made inoperative by virtue of specific registration provisions for GIs in an international agreement. By contrast, the GI Regulation provides a track for registering GIs that is specifically limited to third countries satisfying the reciprocity and equivalence conditions. If a third country does not satisfy those conditions, there is no registration procedure in the GI Regulation, and there is nothing in the TRIPS Agreement to fill that void.

20. The United States provided examples of the kind of agreements that would give proper meaning to the "without prejudice" clause, for instance, agreements that provide for protection for specific GIs, which would then not be prejudiced by the GI Regulation's requirements. This included an agreement with Switzerland that specifically anticipated protection of specific GIs. The EC's only response is to deny that any of those agreements fall within the scope of the "without prejudice" language. In the case of Switzerland, the EC protests that there is no such specific protection *yet*. Now, even assuming that the EC's response is correct, however, it is beside the point. The EC apparently concedes that such specific agreements protecting GIs were and are anticipated, and that any such agreements would have to be exempt from the requirements of the GI Regulation. The "without prejudice" language would thus make sense with respect to any such agreements.

21. The EC also goes to great pains to distance itself from its many past representations to the WTO Membership that the conditions of reciprocity and equivalence apply to WTO Members – even invoking the confidentiality of consultations to shield its previous interpretation of this Regulation. But the plain facts are that the EC has publicized this interpretation widely, and that this consistent interpretation is directly contradicted for the first time by the EC's first submission in this dispute. The EC even goes so far as to deny authorship of the January 16, 2003, communication sent to the United States confirming that US GIs cannot be registered because the United States does not satisfy the reciprocity and equivalence requirements. The United States emphasizes that this document does no more than confirm what the United States was repeatedly told during consultations. But, in response to the denials of the EC, the United States notes that this document was included in a January 16, 2003, communication from Trade Commissioner Pascal Lamy to Ambassador Robert Zoellick. Although much of the letter and attachment are not relevant to this dispute, they are attached as Exhibit US-73 for the Panel's consideration.

22. Before closing on the subject of reciprocity and equivalence, I want to emphasize that, if it were clear that, contrary to the text of the GI Regulation and contrary to the repeated representations of the EC – both public and private – the EC GI Regulation does not impose any conditions of reciprocity and equivalence on WTO Members, the United States would welcome such a factual finding by the Panel. However, for all of the reasons that we have set out in our various submissions, we have substantial concerns that these conditions do apply to WTO Members and that the ECJ would so find.

Requirement for equivalent inspection structures

23. I would like to move on to one specific aspect of the EC's requirement of equivalence that the EC does not deny applies to WTO Members: the requirement for the establishment of equivalent inspection structures. Contrary to the EC's claims, the United States made plain from the beginning of this dispute its view that the specific requirement for equivalent inspection structures was inconsistent with the national treatment obligations of the TRIPS Agreement and the Paris Convention.⁸

24. And, indeed, this requirement does provide "less favorable" treatment to non-EC nationals. Under the GI Regulation, EC member States are required to ensure that inspection structures are in

⁸ *E.g.*, US First Written Submission, para. 64.

place on their territories, and are required to approve all inspection authorities and/or private bodies that make up the inspection structures.⁹ All such bodies must be responsible to the member State.¹⁰ Therefore, any EC national wishing to register a GI automatically has, by virtue of the EC GI Regulation itself, a qualifying inspection structure established by his member State. Thus it can obtain protection for its EC GI. A non-EC national, by contrast, can satisfy the GI Regulation's inspection requirements only if *his* sovereign government (1) has ensured the establishment of these same inspection structures, as dictated by Article 10 the EC GI Regulation; (2) has specifically approved particular inspection bodies that must also be approved by the EC; and (3) assumes responsibility for those inspection bodies, as required by the EC. If his government has not established such structures and approved such bodies, that non-EC WTO national cannot register and protect his GI in the EC. Needless to say, unlike member States, other WTO Members have no obligations under the EC Regulation. That non-EC national is therefore being treated less favorably than the EC national as regards the protection of his geographical indications because, in order to obtain protection for his non-EC GI, he must convince his government to subject itself to the EC through the EC GI Regulation, and dedicate government resources to establish a GI system exactly like the EC's.

25. The EC has emphasized the supposed extreme flexibility of this inspection structure requirement, implying that a US national hoping to register his GI in the United States could satisfy this requirement by simply hiring a private commercial company that provides inspection services.¹¹ But it is not as simple as that. The EC Regulation does not simply require that a non-EC national contract with a commercial inspection service, even one of those identified by the EC in Exhibits EC-49 and EC-50 as companies authorized to carry out inspections under the EC GI Regulation.

26. No, to satisfy the EC GI Regulation, the *government* of the non-EC national must ensure that structures are in place and must approve the particular inspection bodies and take responsibility for their inspections. If that *government* has not done so, its nationals are precluded from protection in the EC. In short, the GI Regulation requires extensive foreign government involvement; no non-EC national can on its own meet the requirements of the GI Regulation.

27. The EC's response is to argue at some length that the EC Regulation's requirement that other WTO Members establish inspection structures is "necessary" to attain the objectives of the GI Regulation.¹² But the issue before the Panel under the national treatment obligations of the TRIPS Agreement and the Paris Convention is whether non-EC nationals are treated at least as favorably as EC nationals with regard to the protection of geographical indications. Since they are not treated as favorably, the GI Regulation is inconsistent with these obligations. The question of whether the requirement is "necessary" simply does not enter into the analysis at all: Nothing in the text excuses less favorable treatment simply because a Member deems the violation "necessary". And since there is no basis in the TRIPS Agreement or the Paris Convention for the EC's novel "necessary" test, the Panel should simply reject this request. If anything, a "necessary" analysis is only relevant in this dispute with respect to the EC's GATT Article XX affirmative defense, and I will discuss this in due course.

28. But even though there is no "necessary" test in the TRIPS and Paris provisions at issue, I don't want to leave the Panel with the impression that the GI Regulation's requirement that non-EC WTO Members establish, approve, and be responsible for particular inspection structures is necessary. It is not. There is simply no reason to assume that only the *government* of the rightholder, as opposed to the rightholder himself, can sufficiently assure the EC that the products claiming GI status qualify for

⁹ EC GI Regulation, Article 10(1) and (2).

¹⁰ EC GI Regulation, Article 10(3).

¹¹ EC Second Written Submission, para. 107.

¹² *E.g.*, EC Second Written Submission, paras. 109 *et seq.*

that status. And it is not clear why it is the government of the rightholder, and not the government whose regulation it is, that has to approve or authorize inspection structures. It is interesting that, in arguing that the EC inspection structures are "necessary", the EC cites the example of the US regulations concerning organic food, which require that any farmer seeking to claim that his products are organic must have his farm inspected by a certifying agent. Of course, this dispute does not concern any US measures, and organic labeling is not a private intellectual property right, as are geographical indications. But since the EC raised it, the Panel should be aware that in the case of US organic labeling regulations, the USDA maintains a list of certifying agents, including those able to conduct inspections in the EU, that any farmer in Europe can simply call directly and satisfy the US regulations. There is no unilateral US requirement for foreign government involvement, intervention, or allocation of resources. The same is *not* true of a non-EC national who wishes to apply to register his GI in Europe. He is simply foreclosed unless his government establishes, approves and takes responsibility for the inspection structures specified in Article 10.

29. Indeed, how would the EC react if the United States, as a condition of protecting EC GIs in the United States, required the EC to establish a specific inspection structure system designed by the United States? Suppose further that the inspection structure required by the United States is incompatible with the inspection system the EC has established for its GIs. Would the EC still consider the unilateral imposition of inspection requirements on other WTO Members appropriate? Perhaps more to the point, this Panel may wish to consider the impact of numerous WTO Members imposing their own different inspection system requirements on all other WTO Members as a condition to protecting foreign GIs. A WTO Member wanting its nationals to benefit from GI protection in the territories of these WTO Members would potentially have to establish every one of these distinct inspection systems in its territory, which – needless to say – would be impossible and unworkable. Yet that would be the result if the EC were to succeed in arguing that it is WTO-consistent for one Member to unilaterally require foreign governments to establish a particular inspection structure in order for their nationals to obtain protection for their GIs.

30. The EC implied this morning that the United States and Australia are asking the EC to somehow lower its standards for GIs from the United States and Australia. I emphasize, to the contrary, that the product standards that US nationals have to meet in order to obtain GI protection are not at issue. But the inspection structures required by the EC are not related to the product characteristics that qualify them for GI protection. In addition, this dispute is not about what is wrong with the EC inspection system itself. Rather, the issue is whether the EC can unilaterally require other WTO Members to adopt the EC's system. The inspection system may be fine for the EC; this does not justify the EC's imposing it on us.

Requirement that the non-EC WTO Member itself assess and verify whether the requirements of the EC GI Regulation are met and that the non-EC WTO Member advocate for registration on behalf of its nationals

31. A similar response can be made with respect to the requirement that the non-EC WTO Member itself assess and verify whether its nationals have satisfied the EC GI Regulation's requirements, and advocate for registration on behalf of its nationals. As in the case of inspection structures, an EC national has the direct means under the GI Regulation to register and protect his GIs. A non-EC national from a country that is not in a position to assess and verify that the requirements of the EC GI Regulation are satisfied does not have any ability to do so. Again, it is worth noting that, as the EC itself has specified, what is required is a substantial dedication of expertise and resources by the non-EC WTO Member government. Unlike EC nationals, non-EC nationals cannot on their own take advantage of pre-established infrastructure to register their non-EC GIs.

32. The EC's response, again, is that what it calls "cooperation" is "necessary" and "indispensable"¹³ to the registration process. And again, as in the case of inspection structures, whether so-called "cooperation" is "necessary" or "indispensable" is not relevant to the national treatment issue before the Panel under the TRIPS Agreement and the Paris Convention. The only issue for the Panel is whether there is less favorable treatment. The EC's apparent excuse that less favorable treatment is necessary or indispensable is simply without basis.

33. But even so, as noted earlier, the EC's arguments that its requirements for so-called "cooperation" ring hollow.¹⁴ The EC has not been able to show that, for instance, the United States Government is in the best position to evaluate whether the specifications provided by the rightholder are sufficiently established, or that it is only the US Government, and not the rightholder, that is capable of providing the elements necessary to show the rightholder's entitlement to a GI registration. Further, "facilitating cooperation" with the WTO Member is no excuse: it is the very unilateral imposition of requirements on non-EC WTO Members – under the guise of forced "cooperation" – that we find unnecessary. Moreover, the EC's argument that this requirement is "beneficial to the applicant" – who can "discuss, prepare, file, and where necessary refine and amend his application directly with the authorities where the geographical area is located"¹⁵ emphasizes both the burden being placed on the WTO Member and the lack of its necessity – that it may be "beneficial to the applicant" does not equate to it being "necessary."

34. The EC's second submission, at paras. 130-142, makes a number of additional points in support of its contention that there is nothing wrong with requiring other sovereign governments to assess and verify whether an application satisfies the requirements of the GI Regulation. First, it is of course incorrect to assert that this is "partially mandated" – whatever that means – by the definition of a GI in the TRIPS Agreement.¹⁶ Nothing in TRIPS Article 22.1 requires this, fully or partially. Furthermore, the EC is requiring that the WTO Member assess whether the EC Regulation requirements are satisfied, not whether the TRIPS Agreement obligations are satisfied.

35. Second, the so-called "numerous" examples in which governments have agreed to cooperate can in no way be interpreted as licence for one WTO Member to unilaterally force another WTO Member to "cooperate". And despite the EC's claims to the contrary, the TRIPS Agreement does not permit such coercion: to the contrary, it requires no less favorable treatment for nationals of other WTO Members.

36. Third, the EC's citation to the *US – Gasoline* dispute as an example of where "cooperation" between countries may be necessary is instructive, but not for the reasons urged by the EC. In that dispute, the Appellate Body was questioning why, in establishing certain refinery-specific baselines for foreign refiners, the United States Environmental Protection Agency could not have adapted "procedures for verification of information found in US antidumping duty laws."¹⁷ As the EC knows, those procedures involve having the foreign company submit information to the US Government, and having the US Government conduct an on-site verification of those data. The desired "cooperation" in that case was, therefore, permitting the US auditors to conduct an audit at the foreign refinery. It was not a unilateral requirement that the foreign government itself assess and verify compliance with US laws, which is the so-called "cooperation" that the EC has in mind in the EC GI Regulation. More fundamentally, the requirement at issue in *US – Gasoline* was analyzed in the context of GATT Article XX – that is, there was a breach of Article III, and the only issue was whether it was justified under Article XX.

¹³ *E.g.*, EC Second Written Submission, paras. 124 *et seq.*

¹⁴ EC Second Written Submission, paras. 124 *et seq.*

¹⁵ EC Second Written Submission, para. 129.

¹⁶ EC Second Written Submission, para. 132.

¹⁷ EC Second Written Submission, para. 136, *citing* Appellate Body Report, *US – Gasoline*, p. 26.

37. Finally, the EC claims that simple transmittal of a registration application is not difficult and that the United States should not raise difficulties that other WTO Members might have meeting this requirement. But, as the EC itself admits, and contrary to what we heard this morning in the EC's oral statement, the EC's requirement goes beyond a simple ministerial act. It requires a thorough assessment and verification of whether an application meets the requirements of the GI Regulation. Further, the issue is not how difficult this requirement is to satisfy, but whether the EC is justified in imposing it. Consequently, it is misleading and irrelevant to assert that "any WTO Member with a normally functioning government should be able to carry out such an act"¹⁸ – a quotation that was repeated this morning in the EC oral statement. First, this is untrue, as I just discussed. Second, if what is required *were* a simple ministerial act of transmission, then there is an obvious question as to why it is necessary, in light of the fact that intellectual property rights are private rights, for direct applications for protection in one country to be transmitted through the government of another country.

Country of origin marking requirement for non-EC GIs

38. I want to include a brief word on the EC's response concerning the country of origin marking requirement for non-EC GIs. The EC claims, contrary to the plain meaning of the Regulation, that that requirement applies, not to foreign GIs, but to whichever GI is registered later. The provision in question – Article 12(2) – is a provision directed purely at the conditions for authorizing the use of *non-EC* GIs. There is simply no basis for reading this as applying to *EC-based* GIs. I point this out as yet another example of the EC attempting to rewrite the Regulation on the grounds that it must be interpreted consistently with the WTO Agreement, regardless of the actual text.

Objections

39. I'd like to turn briefly to the failure to provide national treatment under the TRIPS Agreement with respect to the ability to object to the registration of GIs. The EC reads the GI Regulation as giving a right of objection to persons "from a WTO Member", on the one hand, and from "a third country recognized under the procedures provided for in Article 12(3)" (*i.e.*, countries satisfying the reciprocity and equivalence conditions), on the other. The EC claims that this distinction makes clear that the conditions of reciprocity and equivalence do not apply with respect to nationals from WTO Members, but only with respect to nationals from "other" countries. The United States, by contrast, believes that the correct reading of the phrase "recognized under the procedures provided for in Article 12(3)" is that it applies both to WTO Members *and* to other third countries. I will not repeat our detailed arguments here, but would simply note that the EC's reading only emphasizes even more the weakness of the EC's argument with respect to the registration of GIs. According to the EC, this language in the objection provisions distinguishes between WTO Members and other third countries; yet such an argument only makes the failure to make any such distinction in the registration provisions all the more evident.

40. With respect to the GI Regulation's requirement that the WTO Member, and not its national, assess and submit any objections to a GI registration, I refer to the comments I made earlier concerning the similar requirement for registrations: under this requirement EC nationals have a direct means to object to registrations, while nationals from non-EC countries that do not process objections under the EC GI Regulation do not.

41. The EC's responses to this point are a bit curious. On the one hand, the EC claims that a WTO Member does not have to do anything other than transmit the objection, dismissing the notion that the EC is imposing any real requirements on other WTO Members. On the other hand, the EC

¹⁸ EC Second Written Submission, para. 141.

claims that the WTO Member does have to verify where the objecting person is resident or established, and claims to need a "contact" in the government to address "questions relating to the territory of the third country".¹⁹ It would appear that, in fact, more is required than a purely ministerial act of transmission. And, of course, the whole point is that the US national should not have to jump the extra hurdle of convincing the US Government to submit his objection for him. It is circular to claim that this is necessary because the US Government has to verify that he is a US national.

Legitimate interest

42. Finally, with respect to objections, the United States noted in its second submission that, before last year's amendments, only a "legitimately concerned" EC national could object to a GI registration.²⁰ The EC specifically amended the regulation last year to give WTO Members' nationals the right to object, yet it deliberately added a different and facially higher standard – one implying some property interest – for those WTO nationals: they have to have a "legitimate interest".²¹ The United States showed in its second written submission that this is a different and higher standard, and the EC has not sustained its burden of showing that this higher standard does not amount to less favorable treatment for non-EC nationals.

Requirement of domicile or establishment

43. As mentioned earlier, in order to register GIs and object to the registration of GIs on the same basis as EC nationals, a non-EC national has to become established or domiciled in the EC. Further, for those non-EC nationals whose governments do not satisfy the EC's requirements, for instance, with respect to inspection structures, the only way to enjoy their GI rights is to become established in the EC. Contrary to the EC's second submission, this is not about the EC's ability to ensure that the product originates in the geographical region indicated. And it is not about allowing persons established outside the EC to object. This is about not imposing hurdles on persons established outside the EC such that, in order to enjoy their intellectual property rights, they have to establish themselves in the EC. The EC GI Regulation plainly does this, and so is inconsistent with Article 2(2) of the Paris Convention.

National treatment under the GATT 1994

44. Our first submission discussed in detail how the conditions of reciprocity and equivalence imposed on WTO Members are inconsistent also with national treatment obligations under the GATT 1994. And we have also discussed in detail the issue of whether the conditions of reciprocity and equivalence apply to WTO Members. I won't discuss that issue further here, except to recall that the EC has presented no arguments that these conditions are consistent with the GATT 1994 national treatment obligations, and to recall that the EC itself claims that these conditions conflict with the WTO agreements. That is the basis for their view that the "without prejudice" language in Article 12(1) eliminates these requirements for WTO Members. Accordingly, the Panel should find that these conditions are inconsistent with the national treatment obligations of the GATT 1994.

45. With respect to the other issues which I have also discussed above: the requirement for specific inspection structures and the requirement that other WTO Members assess and verify whether GI applications satisfy the requirements of the EC GI Regulation, the EC, in its second submission, simply refers back to its arguments with respect to national treatment under the TRIPS Agreement and

¹⁹ EC Second Written Submission, para. 156.

²⁰ Article 7(3) of the GI Regulation.

²¹ Article 12d of the GI Regulation.

the Paris Convention. Notably, the EC states that these requirements are also imposed on EC products, so they constitute "equal", not "less favorable", treatment.

46. This curt dismissal of this claim is interesting, because the EC itself argues that the EC GI Regulation does not discriminate according to nationality, but according to the origin of the product. Furthermore, the EC has justified its highly technical and overly narrow interpretation of the TRIPS Agreement national treatment obligation based on the fact that the GATT disciplines also cover this situation. In addition, it is the EC that has emphasized the differences between the GATT national treatment obligations and the TRIPS Agreement national treatment obligations.

47. Therefore, we should take some care with this argument. Treatment between EC products and non-EC products is clearly not "equal." Article III:4 of the GATT 1994 then requires that products from outside the EC be accorded treatment that is no less favorable than that accorded "like products of national origin." As the Appellate Body has noted, "like" means "[h]aving the same characteristics or qualities"²² and has been analyzed in past disputes based on the characteristics of the products themselves, *i.e.*, physical properties, ability to serve the same end uses, consumer perceptions of whether the products serve the same end uses, and the tariff classification of the product.²³

48. In the context of this dispute, therefore, the issue is whether an imported product that has characteristics qualifying it for GI status under the GI Regulation is treated at least as favorably as an EC product that has those characteristics. The answer is no. The imported product will be denied the benefits of the GI Regulation in the EC market, not because of any deficiency in the product itself, but because of a "failure" of the country of origin to establish an EC-style inspection system. These benefits will also be denied where the government of the country of origin – for instance, the United States – does not have a mechanism to take on the EC's job to assess whether a product meets the EC's requirements. This has nothing to do with the characteristics of the product itself. Favorable treatment is denied to "like" products for reasons related to the product's origin.

49. Further, this Panel should not ignore that the preamble to the Regulation emphasizes the importance of the production, manufacture, and distribution of agricultural products and foodstuffs to the European economy, and emphasizes the intended role of the Regulation in promoting products having certain characteristics, which "could be of considerable benefit to the rural economy, in particular to less-favoured or remote areas" in the EC. In this connection, it is hard to ignore that, of the over 600 registered GIs in Europe, exactly zero are for products produced outside the EC. And this, 12 years after the Regulation was implemented. In addition, although the EC argues now that its active advertisement of the reciprocity and equivalence requirements were not authoritative, it cannot be denied that the EC effectively sent a message discouraging any GI applications from countries not satisfying those requirements. The effect of this discouragement is plain to see. Finally, the additional requirements that the EC admits imposing on WTO Members – notably, to establish specific inspection structures and to assess and verify whether GI applications meet the EC GI Regulation's requirements – are simply equivalence by another name, and are similarly designed to discourage the registration and protection of foreign GIs.

50. In sum, the GI Regulation is inconsistent with the national treatment obligations of the GATT 1994.

²² *EC – Asbestos*, para. 90, *citing* New Shorter Oxford English Dictionary.

²³ *EC – Asbestos*, para. 101.

Article XX(d) of the GATT 1994

51. But I should note that, even more than in the case of the TRIPS Agreement national treatment obligation, the EC second submission contains virtually no arguments about whether the EC GI Regulation affords less favorable treatment to imported products than to domestic "like" products. Instead – just as in the case of the TRIPS Agreement national treatment discussion – the EC devotes the bulk of its presentation to justify why, in spite of the obligations, the various requirements of the EC GI Regulation are necessary or indispensable to the GI Regulation's objectives. So, let me respond to the EC's argument that the GI Regulation is covered by the Article XX(d) exception to the GATT 1994 obligations.

52. It is unfortunate that the EC has only just now, in its second written submission, spelled out its arguments on Article XX(d). Up until that submission, the EC failed to provide anything beyond the most conclusory statements on Article XX(d). It was a little amusing to hear this morning the EC's claim that the United States has not responded at all to these arguments, in light of the fact that we just received them, and that this statement is the first opportunity to respond. So, let me turn to them now.

53. The United States submits that the EC is far from meeting its burden, even at this late hour. Article XX(d) requires that the EC demonstrate that the measure that is inconsistent with the GATT 1994 (1) is designed to "secure compliance" with laws or regulations that are not inconsistent with the GATT 1994; and (2) is "necessary" to ensure such compliance. The EC's arguments fail on both counts.

54. With respect to the requirement for inspection structures, the EC, at paragraph 232, merely summarizes and cross references its statement that the "requirement of inspection structures is necessary for the attainment of the objectives of Regulation 2081/92."²⁴ And that a "similar degree of protection could not be achieved through other means."²⁵ But the standard in Article XX(d) is whether the GATT-inconsistent measure "is necessary to *secure compliance*" with a GATT-consistent law or regulation, not whether it is necessary to "attain the objectives" of the GATT-inconsistent law itself. The EC has not identified the GATT-consistent law or regulation for which the inspection structures are designed to ensure compliance, and has not described how they secure compliance with that law or regulation.

55. Further, the EC has not shown that the inspection structure requirements are "necessary" to ensure any such compliance. The Appellate Body in *Korea – Various Measures on Beef* considered that, in the context of Article XX(d), "necessary" is "located significantly closer to the pole of 'indispensable' than to the opposite pole of merely 'making a contribution to'."²⁶ In *EC – Asbestos*, citing *Korea – Various Measures on Beef*, the Appellate Body emphasized that the more vital the objective pursued, the easier it would be to accept a measure as "necessary", implying that, where the objective is not, for instance, the preservation of human life or health, a stricter standard for "necessary" may be appropriate.²⁷ Which is, of course, the case here. Finally, a measure is surely not "necessary" to ensure compliance if an alternative, WTO-consistent measure which the WTO Member could reasonably be expected to employ is available to it. And as noted earlier, the EC has not met its burden of demonstrating that there exists no such alternatives.

²⁴ EC Second Written Submission, para. 232.

²⁵ EC Second Written Submission, para. 233.

²⁶ Appellate Body Report, *Korea – Various Measures on Beef*, para. 161.

²⁷ Appellate Body Report, *EC – Asbestos*, para. 172, citing *Korea – Various Measures on Beef*, para. 162.

56. In fact, to the contrary, the EC itself offered the example of the US organics regulation, in which a non-US farmer hoping to use the "organic" label in the United States simply contacts a certifying agent approved, not by his home government, but by the US Department of Agriculture. The EC also provided the example in US – *Gasoline*, in which the Appellate Body suggested that the regulator – in that dispute the US EPA – conduct its own audit of the foreign firms. And, as the United States discussed in its second submission, the EC itself, in the context of collective marks, does not require the home government of the rightholder to establish specific inspection structures. As the Appellate Body has said, these other, less restrictive measures, are relevant as evidence that the WTO-inconsistent measures are not "necessary".²⁸

57. It is not at all clear that having a WTO Member government approve and have responsibility for inspection bodies – as opposed to, for instance, the private rightholder, such as the certification mark holder – is even a preferable way of achieving the objective of the GI Regulation, let alone that it is "necessary" to do so. And, even so, what the EC should have shown is not that the WTO-inconsistent measure is "necessary" to the objective of the Regulation, but rather that it necessary to ensure compliance with a law or regulation that is not WTO-inconsistent.

58. Similarly, with respect to the requirement that the WTO Member assess and verify that the GI application of its nationals meets the EC GI Regulation's requirements and the requirement that the WTO Member advocate in favor of the registration on behalf of its nationals, the EC has not indicated how this requirement "secures compliance" with a WTO-consistent law or regulation. To the contrary, the EC has only argued that this requirement is "indispensable for the implementation" of the EC GI Regulation.²⁹ This is not the same as demonstrating that there is a WTO-consistent regulation, and that the otherwise WTO-inconsistent requirements imposed on Member are necessary to ensure compliance with that regulation, two demonstrations that are necessary to prove entitlement to the Article XX(d) exception. And indeed, far from being even "indispensable for the implementation" of the EC GI Regulation, at best, from the EC's perspective, this requirement shifts the burden of analyzing the application from the EC – where it belongs – to other WTO Members. Further, as discussed earlier, there is no reason that alternative measures – for instance, allowing the nationals to apply for GI registration directly to the EC – are not reasonably available to the EC.

59. The EC similarly fails to make any showing that the requirement that foreign GIs be identified with a country of origin is necessary to ensure compliance with a WTO-consistent law or regulation.

60. Finally, the EC simply asserts, with no information, no argument, that the chapeau to Article XX is also satisfied: that is, that these WTO-inconsistent requirements are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail or a disguised restriction on trade. But, to the contrary, these measures mean that any country that protects GIs in the same manner as the EC – with EC-style inspection structures and with legal mechanisms for assessing whether the requirements of the GI Regulation are satisfied – may obtain registration and protection of its GIs. Those WTO Members that do not have such systems cannot obtain such protection. These are countries where the same conditions prevail, but, because the EC favors countries that protect GIs the way it does, the EC arbitrarily and unjustifiably discriminates between them.

61. In sum, the EC has not shown that the WTO-inconsistent measure at issue satisfies the requirements of the Article XX(d) exception.

²⁸ See Appellate Body Report, *Korea – Beef*, paras 168-170.

²⁹ EC Second Written Submission, para. 237.

MFN Treatment

62. I would like to shift over to the US arguments with respect to most favored nation treatment under the TRIPS Agreement and the Paris Convention. The EC GI Regulation grants advantages, favors, privileges and immunities to nationals from third countries that satisfy the EC's conditions of reciprocity and equivalence: *e.g.*, they can have their GIs registered and protected in the EC. Even the EC concedes this, at least with respect to non-WTO third countries. In addition, the EC GI Regulation grants those advantages, favors, privileges and immunities to nationals of WTO Members that have established EC-style inspection systems and systems to assess and verify whether GI applications meet the EC GI Regulation's requirements, while denying those advantages, favors, privileges and immunities to nationals of WTO Members that have not. Consequently, the EC GI Regulation fails to accord those advantages, favors, privileges and immunities "immediately and unconditionally" to nationals of all other Members, as required by Article 4 of the TRIPS Agreement.

63. The EC's response is that the imposition of non-discriminatory conditions on nationals is not a violation of MFN treatment.³⁰ But it bears emphasizing that these are not conditions that the EC is placing on *nationals*, such that the nationals, without discrimination, are in a position to satisfy the conditions. Rather, these conditions are being placed on the government. The national is being denied his GI rights because of the system that his home government has in place – or does not have in place – with respect to GIs.

64. The EC also claims that it has not yet granted any benefit to any non-EC third country, so that there can be no MFN violation. Although the lack of any registration of a third country GI is certainly instructive with respect to whether national treatment is being provided, it is also apparent that whether to accept GI applications from third countries is made on a country-by-country basis: either a country has the appropriate EC-mandated mechanisms in place or it does not, and access to the EC GI regime is granted based on meeting this condition. This is thus a failure on the face of the Regulation to provide MFN treatment with respect to nationals from all WTO Members.

65. The United States has also noted that – as WTO Members in their own right – each member State of the EC also has an MFN obligation with respect to all other WTO Members, and that by according advantages, favors, privileges and immunities to nationals of other EC member States that are not immediately and unconditionally accorded to nationals of all other WTO Members through their implementation of the EC GI Regulation, the EC member States are acting inconsistently with those MFN obligations. The EC's sole response is that this is an EC measure, not a member State measure. But this response ignores two facts: first, the Panel's terms of reference include any implementation and enforcement measures, which include those taken at the member State level. Second, member States are not exempted from their MFN obligation simply because they are "required" to act inconsistently with those obligations by an EC regulation. France, for instance, is prohibited by WTO obligations from granting advantages to German nationals that are not granted to US nationals. That obligation does not disappear simply because the EC "requires" France to do that. The EC's argument at paragraphs 148-149 of its oral statement is extraordinary. The EC states that EC member States are WTO Members, yet claims that they have no MFN obligations. But either EC member States are WTO Members or they are not. Their MFN obligations do not disappear simply because the measure at issue includes an EC regulation. We suggest, therefore, that the Panel take a close look at the EC's argument on this issue.

GATT 1994 MFN obligations

66. With respect to the GI Regulation's violations of the GATT 1994 MFN obligations, I will simply refer back to our earlier submissions and comments, and note that this obvious discrimination

³⁰ EC Second Written Submission, paras. 249-250.

against products of certain WTO Members cannot be justified as "necessary" to "secure compliance" with a WTO-consistent law or regulation under Article XX(d).

Enforcement

67. With respect to the fact that the EC GI Regulation denies enforcement procedures and remedies that are required under Part III of the TRIPS Agreement, the EC's response in its second submission is interesting. Most of the EC's discussion appears to be directed at the intellectual property regimes of the United States and Australia, which are both irrelevant and outside this Panel's terms of reference. The United States can only conclude that the EC wants to divert attention from the measure that *is* before this Panel: the EC GI Regulation.

68. As to a substantive response, the EC's principle argument seems to be that the GI Regulation does not prevent the trademark owner from bringing an infringement action against a rightholder of a geographical indication.³¹ But the point is that the trademark owner cannot prevent confusing uses of the GI, so he does not have the means to enforce his trademark or to obtain remedies against infringement.

Article 22.2 of the TRIPS Agreement

69. The United States argued in detail in its first submission how the GI Regulation failed to make the required legal means available to interested parties to prevent certain uses in respect of geographical indications. It does not provide the legal means for interested parties outside the EC to register and protect GIs, and, critically, it does not provide the legal means for interested persons – other than governments – to object to the registration of a GI, which is effectively the only way to prevent certain uses of terms that are proposed as registered GIs. The EC's sole response is that "registration" is not "use" and therefore it is not necessary to provide for the right of objection. But this does not address the failure to provide the legal means to register GIs at all. And, with respect to objections, it ignores the fact that, under the GI Regulation, once a GI is registered, the rightholder has an affirmative right to use that GI. For the interested party who does not have the legal means to object, the game is lost when the GI he would have objected to is registered. The United States submits, therefore, that the EC GI Regulation is inconsistent with the obligations of Article 22.2 of the TRIPS Agreement.

Trademark Rights

General comment

70. I turn now to our claim under TRIPS Article 16.1. Article 16.1 obligates the EC to give owners of registered trademarks the exclusive right to prevent all confusing uses of similar or identical signs, including GIs. In direct contrast to this obligation, the EC acknowledges that, under its GI Regulation, *even if* the owner of a prior valid registered trademark can prove use of an identical or similar registered GI results in a likelihood of confusion, it cannot prevent continued use of that GI.³² Not only is this contrary to the obligation in Article 16.1 of the TRIPS Agreement, it also undermines what Appellate Body findings and US and EC jurisprudence all agree is the core of a trademark owner's right under Article 16.1.³³

³¹ EC Second Written Submission, para. 360.

³² EC First Written Submission, paras. 302-307; EC Responses to Questions, para. 141.

³³ See US First Written Submission, paras. 145-149, citing Appellate Body Report, *United States - Section 211*, para. 186; US Supreme Court, *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 527 US 666, 667 (1999) (Exhibit US-14); Advocate General Jacobs' Opinion in Case C-10/89, *SA CNL-Sucal NV v. HAG GFAG*, delivered 13 March 1990, [1990] ECR I-3711, para. 19 (Exhibit US-8).

71. The United States believes that each provision of the TRIPS Agreement must be given its full scope, and our arguments have reflected this. Both trademarks and GIs are granted a sphere of exclusivity. The EC is correct that a "conflict" may occur between an individual trademark and an individual GI.³⁴ But this is not a "conflict" between trademark and GI *obligations* placed on the EC; it is merely a "conflict" between rightholders. The rights of those rightholders, and the ways in which to resolve any "conflicts" between those rights, are set out in the TRIPS Agreement. Specifically, where the owner of a prior valid registered trademark is confronted with use of a similar or identical GI, Article 16.1 empowers the owner of the trademark to prevent any use of the GI that is likely to confuse consumers within a given territory. And where a GI owner is confronted with a similar or identical trademark, that trademark is subject to invalidation under Article 22.3 if it misleads the public in a given territory about the origin of the goods.

72. In other words, there is no "conflict" between the obligations placed upon *the EC*, as a signatory to the WTO Agreement, by TRIPS Articles 16.1 and 22.³⁵ It is not "impossible" in any sense for the EC to "simultaneous[ly] compl[y]" with those provisions by providing both trademark and GI owners with the means to enforce the sphere of exclusivity granted them by Articles 16.1 and 22.³⁶

73. The EC has five responses to the US arguments in its second submission: first, that there are no (or few) valid registered trademarks that could be similar or identical to registered GIs; second, that Article 14(3) of the GI Regulation prevents the registration of GIs that can give rise to confusing uses *vis-a-vis* trademarks (so there is no need for Article 16.1 rights); third, that Article 24.5 *permits* the EC to eliminate Article 16.1 trademark rights; fourth, that Article 24.3 *requires* the EC to eliminate Article 16.1 trademark rights; and, finally, that the GI Regulation's broad grant of immunity to all who qualify to use a GI is a "limited exception" permitted by Article 17 of the TRIPS Agreement.

Article 14(3) of the GI Regulation

Trademarks Containing or Consisting of Geographical Elements

74. The EC's first defense is to claim that, *vis-a-vis* GIs registered in the EC, trademark owners do not need their Article 16.1 rights in the EC, since, in the EC's view, few trademarks that contain or consist of a GI will be registrable. Therefore, the EC sees little risk that a registered GI will raise a likelihood of confusion with respect to a prior valid registered trademark. There are two responses to this argument. First, although the EC has not presented any evidence that the number of vulnerable trademarks is small, the number of marks is irrelevant. The owner of every valid registered trademark is entitled to its Article 16.1 rights. Further, however, it is a fact that valid registered trademarks can indeed consist of or incorporate "geographical" elements. In our first submission, we offered the hypothetical example of a trademark for LUNA, in connection with cheese, and the potential registration of a GI for cheese produced in Luna, Spain.³⁷ We had not submitted the example of a cheese produced on the moon, but we accept that the EC altered the hypothetical this morning. The EC's somewhat irrelevant, yet revealing, response is that the town of Luna does not exist "in Spain, or in any other Spanish speaking country, whether large or small."³⁸ The EC concludes that EC trademark officials would likely register "Luna" as a fanciful name. In fact, Luna is a town in Spain,

³⁴ EC Second Written Submission, para. 309.

³⁵ EC Second Written Submission, para. 309.

³⁶ See Panel Report, *Turkey – Textiles*, para. 9.92. See also Panel Report, *Indonesia – Autos*, para. 14.28.

³⁷ US First Oral Statement, para. 50; US Second Written Submission, para. 169.

³⁸ EC Second Written Submission, para. 290 (note 179).

and even has a website.³⁹ But the EC's glib response indicates, in fact, how easy it is for a geographical term to be registered as part of a trademark, even for EC officials trying to avoid such registrations. We found after midnight last night as we were preparing this oral statement, that there are quite a few LUNA trademarks registered in Europe. We did not have time to create an exhibit, but we suggest that you search "Luna" on the OHIM database and see for yourself. Since the EC is uncomfortable with hypotheticals, other potential examples include: CALABRIA, a registered Community Trademark for pasta,⁴⁰ and a region in Italy; DERBY, a registered Community Trademark for milk products,⁴¹ and a city in the UK; and WIENERWALD, a registered Community Trademark for meat, vegetables and milk products,⁴² and a region in Austria.

75. One of the EC's arguments this morning was that trademarks incorporating geographical elements can only be registered if they have acquired secondary meaning. Contrary to this argument, *none* of the three registrations discussed above was based on acquired distinctiveness. And we saw no evidence of acquired distinctiveness in connection with any of the "Luna" trademarks. Therefore, we suggest that the Panel take the EC's assertions this morning with more than a grain of salt.

76. In sum, validly registered trademarks that consist of or incorporate geographical elements exist, whether or not the origin of the trademark was geographical. In any event, the EC's argument ignores the potential for further conflict between prior registered trademarks and the registration as GIs of non-geographic names, under Article 2(3) of the Regulation.

Article 14(3) of the GI Regulation cannot substitute for TRIPS Article 16.1 rights

77. Second, the EC states that "Article 14(3) of Regulation 2081/92 provides the necessary means to trademark owners ... to prevent or invalidate the registration of *any* confusing geographical indications."⁴³ Even if the EC is offering an accurate reading of Article 14(3) – a point I will come back to later – this provision is not a substitute for Article 16.1. Article 16.1 requires WTO Members to grant rights to trademark owners to prevent particular uses of identical or similar GIs. Article 14(3), in contrast, merely permits the EC authorities to deny registration of GIs in some circumstances.

78. These are two critical distinctions and two critical ways in which Article 14(3) falls short of what is required by Article 16.1. It is not necessarily possible for a trademark owner – or, for that matter, the EC authorities – to know, on the face of an application for GI *registration*, if a GI will be *used* in a way that raises a likelihood of confusion with respect to a trademark.⁴⁴ The EC asserts that the product specifications submitted with a GI application will include "specific labeling details" that definitively limit the way in which the GI will be used.⁴⁵ Let me first note that 80 percent of GIs were registered upon accession of new EC member States, or upon adoption of the GI Regulation, and for many of those, product specifications are not even published in the EC's Official Journal. Even when product specifications are published, however, the Panel will note from Exhibit US-77 that the "specific labeling details" are not that specific at all. The "labeling" requirement for the registered GI "Lausitzer Leinöl," for example, reads, plain and simply, "Lausitzer Leinöl". The same goes for the registered GI "Kanterkass, Kanternagelkaas, Kanterkomijnkeas". The "labeling" requirements for the registered GIs "Timoleague brown pudding" and "Newcastle Brown Ale" read simply "PGI".

³⁹ www.lunavirtual.net.

⁴⁰ EC OHIM Trademark No. 001575240. Exhibit US-74.

⁴¹ EC OHIM Trademark No. 001305929. Exhibit US-75.

⁴² EC OHIM Trademark No. 000229534. Exhibit US-76.

⁴³ EC Second Written Submission, para. 270.

⁴⁴ US First Oral Statement, para. 54; US Responses to Questions, para. 87; US Second Written Submission, paras. 131-135.

⁴⁵ EC Second Written Submission, para. 300.

These demonstrate that a trademark owner will not necessarily know at the time of registration how the GI will be used or if that use will be confusing.

79. This morning, in paragraphs 181-184 of its oral statement, we heard a bit of a shift in the EC's position. The EC now admits that GIs in the EC are used in much the same way as trademarks, that is, in a promotional way, to distinguish goods. And since the EC expects GIs to be used just like trademarks, the EC appears to be asking what is wrong with this trademark-like use of GIs, and why should the EC be concerned that the trademark owner may not be able to stop the use of such GIs if they are confusing. After, all, the EC argues, this trademark-like use is "legitimate." The problem, of course, is that under TRIPS Article 16.1, trademark owners have a right to prevent confusing uses of their signs, including GIs. "Legitimacy" is irrelevant. Under the EC system, trademark owners are powerless to prevent such confusing uses. We submit to the Panel that this is contrary to TRIPS Article 16.1.

80. Another particular issue regarding use of a registered GI that could arise frequently within the EC – a union with 20 official languages – is use of the GI in translation. Use in translation – which would not be apparent from the GI application itself – could cause confusion with a prior valid registered trademark. The EC appears to suggest, but avoids stating definitively, that the scope of protected use of a registered GI excludes the right to use the registered name as translated into other EC languages.⁴⁶ The question that has not been answered is: "Does the registration of a term under the EC GI Regulation give the rightholder a positive right to use that term as translated into other EC languages?"

81. Nor, as the EC asserts,⁴⁷ do labeling, advertising and unfair competition laws offer trademark owners the standard of protection required by TRIPS Article 16.1 to prevent certain uses. Under these laws, the trademark owner (along with the general population) is granted other rights, but not the specific rights guaranteed by Article 16.1. For instance, and using one of the EC's own examples,⁴⁸ the fact that a trademark owner might be able to stop *injurious, deceptive* advertising is no substitute for being able to prevent confusing uses of identical or similar signs.

82. It is also critical that even under the EC view, Article 14(3) enables or requires the *EC authorities* to deny GI registrations in some circumstances. By its express terms, however, TRIPS Article 16.1 grants rights to *trademark owners*. This is important because as noted in the TRIPS preamble, "intellectual property rights are private rights ..." And trademark owners, whose direct interests are at stake – and not government officials – are in the best position to identify confusing uses. While the United States welcomes efforts by the *EC authorities* to prevent registration of GIs that conflict with prior registered trademarks, even to the limited extent this is permitted by the GI Regulation, Article 14(3) cannot be sufficient, on its face, to satisfy the requirements of TRIPS Article 16.1, which are directed to *trademark owners*.

83. The EC now suggests that any trademark owner can challenge the validity of the GI registration before the EU Court of First Instance or, potentially, in infringement proceedings in EC member State courts, based on the EC's erroneous application of Article 14(3).⁴⁹ The implication is that this ability to challenge the registration on the basis of Article 14(3) permits the trademark owner to prevent confusing uses of his signs, as required by Article 16.1. But this is not accurate, first, because any such challenge must be brought *within two months of publication of the registration*.⁵⁰

⁴⁶ EC Second Written Submission, paras. 288, 293, 301.

⁴⁷ EC Second Written Submission, para. 303.

⁴⁸ EC Second Written Submission, para. 303.

⁴⁹ EC Responses to Questions, paras. 153, 181; EC Second Written Submission, para. 296.

⁵⁰ US Second Written Submission, para. 138.

This deadline has been very strictly enforced.⁵¹ After two months, even if a trademark owner can prove that a use of a similar or identical registered GI results in a likelihood of confusion, it will not be able to challenge the registration. So, any confusing uses that arise after this deadline – and the savvy GI holder would be well advised to be cautious in the use of his GI during that time – cannot give rise to any challenge to the registration. In addition, it does not appear that GI registrations adopted via accession protocols are challengeable, for instance, even within the two-month time period.⁵² Further, challenges to a GI registration by trademark owners in the EC member State courts will similarly be barred for those trademark owners who could have challenged the validity of the registration within the two-month deadline under Article 230 of the EC Treaty.⁵³ We find it fascinating that in its oral statement the EC referred to challenging the validity of registrations without mentioning these deadlines at all. Further, the EC appears to suggest that there are no deadlines for "referrals" to the ECJ under Article 234, yet neglects to note that even in the case of referrals, the registration may not be cancelled after the two-month deadline if the trademark owner could have challenged the registration under Article 230.

84. In any event, objections and challenges to GI registrations would be evaluated based on the substantive standard of Article 14(3), which is more restrictive than the standard required by TRIPS Article 16.1. The EC completely rewrites Article 14(3) when it claims that Article 14(3) "says that the registration of a geographical indication shall be refused if it is likely to lead to confusion with a trademark."⁵⁴ On its face, Article 14(3) limits the circumstances in which a GI will be denied registration to those instances in which a trademark's "reputation and renown and the length of time it has been used" make the GI "liable to mislead the consumer as to the true identity of the product." The EC has said that "the content of Regulation 2081/92 must be evaluated on the face of the measure."⁵⁵ We agree. And that is why the EC's reinvention of that provision should be rejected.

85. There was a discussion this morning about the role that reputation may play in the confusion analysis. The EC implies that reputation is always a factor in the confusion analysis, but, if you look even at the sources cited by the EC, it is plain that reputation is a factor in some instances – in the case of dissimilar goods, for instance – but not all. For instance, in the case of identical signs for identical goods, "reputation" would not enter into the analysis at all. Further, we encourage the Panel to consider the case of the owner of a registered trademark, perhaps with rights in only one EC member State, whose trademark is registered, but has no reputation, renown or length of time of use. Article 14(3) would not prevent the EC-wide registration of a GI that is confusing vis-a-vis that trademark. And would the trademark owner realistically be able to challenge in court a Commission decision to register that GI, in light of Article 14(3)'s requirement that the Commission consider the GI registration in light of the trademark's reputation, renown and length of time of use? Yet, that trademark owner is entitled to his Article 16.1 rights, despite the lack of reputation, renown, or use. In sum, Article 14(3) simply does not provide those rights required by TRIPS Article 16.1.

86. The EC predictably relies on the supposed "substantial deference" it is due in interpreting the Regulation, but any deference simply cannot ignore the plain meaning of the Regulation. The EC cannot simply substitute TRIPS-consistent language that it wishes were there. Equally predictable, since the EC is stretching the meaning of Article 14(3) beyond the breaking point, is the EC's assertion that the United States must prove that the actual language of Article 14(3) is "the only reasonable interpretation" of that provision and that any interpretation contrary to the TRIPS

⁵¹ See citations included at US Second Written Submission, para. 138 (note 120).

⁵² European Court of Justice Cases 31/86 and 35/86, *LAISA v Council*, [1988] ECR 2285.

⁵³ Case C-239/99, *Nachi Europe v. Hauptzollamt Krefeld*, [2001] ECR I-1197; Case C-188/92, *TWD Textilwerke Deggendorf v. Germany*, [1994] ECR I-833. Exhibit US-78.

⁵⁴ EC Responses to Questions, para. 155.

⁵⁵ EC Second Written Submission, para. 79.

Agreement is "impossible."⁵⁶ To the contrary, this Panel's job is to make an objective assessment of the facts, including with respect to the meaning of Article 14(3). The United States has presented compelling evidence of what Article 14(3) means. The EC has failed to rebut this evidence. Indeed, the reading of Article 14(3) offered by the EC ignores the text of the provision. And, in what has become somewhat of a recurring theme in this dispute, the EC's interpretation is a complete departure from the definitive guidance offered by the Commission on the meaning of Article 14(3) outside of this dispute, as recently as March 2004.⁵⁷ (We note parenthetically that we were at first embarrassed to learn from the EC's oral statement this morning that we have been citing out-dated guidelines, from four months ago. Then we looked at the exhibit, and realized that the new guidelines had only been issued last week. But in any case the relevant language on Article 14(3) is unchanged in the revised guidelines.). The EC's interpretation is irreconcilable with the way in which the terms included in Article 14(3) – reputation, renown and length of use – have been interpreted by WIPO and the Paris Union,⁵⁸ as well as by the ECJ and OHIM.⁵⁹ It is contrary to the understanding of Article 14(3) expressed by EC member States.⁶⁰ And even if the EC is offering a new view of what Article 14(3) means, we note that the Commission admits that it cannot here commit the EC to "new legal obligations."⁶¹ We have no assurances that at some later date, if the Commission's reading comes back to haunt it before the ECJ, it will feel free to disown that reading.⁶² For these reasons, the Panel should reject the EC's novel reading of Article 14(3), and further find that even if that reading were correct, the provision would not be an adequate substitute for Article 16.1 rights.

87. It is worth noting before I move on to Article 24.5 that the EC's first response to the trademark owner's lack of ability to prevent confusing uses is that "[t]hese concerns are largely theoretical". This repeated refrain of the EC ignores the fact that there is no requirement to challenge a specific application of a measure. That a measure denies TRIPS Agreement rights to trademark owners is enough.

Article 24.5 of the TRIPS Agreement

88. I would like now to turn to the EC's argument that Article 24.5 of the TRIPS Agreement permits diminished protection of registered trademarks. I just want to underscore initially that Article 24.5 says only what measures adopted to implement the GI Section of TRIPS may *not* do *vis-a-vis* certain trademarks; it does not say what they *can* do. By its own terms, it does not *permit* the elimination of any trademark rights. Further, its context is as an "exception" to GI obligations, not as an exception to Article 16.1 obligations. It is curious, therefore, that this provision would be used to justify the non-fulfillment of *Article 16.1* obligations.

89. And, indeed, the EC concludes its Article 24.5 argument at paragraph 199 of its oral statement by stating that, "If the drafters deemed necessary to specify in Article 24.5 that the implementation of protection for geographical indications shall not prejudice the most basic right of the owner of a registered trademark ('the right to use it'), but not the right to exclude others from using it, the *clear implication* is that they did not intend to prevent Members from limiting the exercise of the latter right in order to allow the use of a geographical indication in co-existence with a

⁵⁶ EC Second Written Submission, para. 274-275.

⁵⁷ Guide to Community Regulations, "Protection of Geographical Indications, Designations of Origin and Certificates of Specific Character for Agricultural Products and Foodstuffs" (Working Document of the Commission Services issued by the European Commission Directorate-General for Agriculture, March 2004), p. 23. Exhibit US-24.

⁵⁸ US Second Written Submission, paras. 146-147.

⁵⁹ US Second Written Submission, paras. 150-152.

⁶⁰ US Second Written Submission, para. 148-149.

⁶¹ EC Responses to Questions, para. 30.

⁶² US Second Written Submission, paras. 158-159, addressing the ECJ's judgment in *Petrotub*.

grandfathered trademark."⁶³ In other words, the strongest support that the EC can muster for its interpretation of Article 24.5 – an interpretation that creates an enormous exception to Article 16.1 obligations – is a negative implication. This is a slim reed indeed on which to base an exception to such a fundamental obligation.

90. Our position has been set out in our various written submissions. Briefly, the prohibition against "prejudice ... [of] the validity of the registration of a trademark" preserves the trademark owner's Article 16.1 rights.⁶⁴ This interpretation is supported by the fact that a trademark registration will be "prejudiced" or damaged if a Member fails to allow the trademark owner to prevent all others from confusing uses, given that the ordinary meaning of "validity of the registration of a trademark" refers to the possession of legal authority accorded by virtue of the entrance of a trademark in a register. This legal authority is defined in Article 16.1. Moreover, because the denial of the right to prevent confusing uses also prejudices the establishment and maintenance of the trademark's ability to distinguish goods of one enterprise from those of another, this prejudices its capability of "constituting a trademark" within the meaning of TRIPS Article 15.1, and thereby further prejudices the trademark's validity.

91. Further, the additional prohibition in Article 24.5 against "prejudice ... [of] the right to use a trademark", also encompasses the Article 16.1 right to prevent all confusing uses of similar or identical signs.⁶⁵ The interpretation of Article 24.5 presented by the United States, based on the ordinary meaning of the terms, in context, and in light of the object and purpose of the TRIPS Agreement, is confirmed by the negotiating history of Article 24.5, which reveals a progressive evolution in favor of protecting grandfathered trademarks, including through introduction of a reference to common law trademarks at the same time that the phrase "right to use" was added.⁶⁶ By contrast, as we have stated in our submissions, the EC misreads the text and disregards its context by interpreting the prohibition on a GI's prejudicing "the right to use a trademark" (on the basis that it is similar to a geographical indication) as an *affirmative right, again by implication, to prejudice the specific right accorded trademark owners under Article 16.1 to exclude all others from confusing uses of identical or similar signs*. In support, the EC also proposes a far-fetched reading of the negotiating history for an entirely different provision (Article 24.4).⁶⁷ Even if the EC's interpretation of "right to use" were correct – that is, that it refers only to affixing certain signs to goods – the fact that the right to use those signs should not be prejudiced on the basis of their similarity with GIs has no bearing on the other obligation in Article 24.5: the obligation not to prejudice the validity of trademark registrations.

92. I want to emphasize that in its oral statement the EC refers once again to a trademark owner's right to affix a sign. Article 24.5 does not, however, talk about not prejudicing the right to *affix signs* to goods; it talks about not prejudicing the right to *use a trademark* on certain grounds. Trademarks have certain legal rights associated with them, as reflected in both Articles 16.1 and 15.1. The purpose of a trademark is to distinguish the goods of one manufacturer from the goods of another. Signs are just signs. The EC's interpretation ignores this plain text of Article 24.5 and its context.

93. The EC asserts that Article 24.5 is a provision that defines "the boundary between the protection of trademarks and the protection of geographical indications."⁶⁸ This is only partially correct. As an exception to the GI section, it defines only *one of several* boundaries – *i.e.*, it limits the scope of GI protection *vis-à-vis* certain grandfathered trademarks. Article 17, the exception to the

⁶³ Emphasis added.

⁶⁴ US Second Written Submission, paras. 173-175.

⁶⁵ US Second Written Submission, para. 176.

⁶⁶ US Responses to Panel Question 76, paras. 102-105.

⁶⁷ US Second Written Submission, paras. 177-187.

⁶⁸ EC Second Written Submission, para. 314.

trademark section, defines another boundary, by limiting the scope of trademark protection. The EC's understanding of the role of Article 24.5 is inconsistent with the context of an Agreement that includes separate exceptions for trademark protection and for GI protection.

94. With respect to the fact that Article 24 is entitled "international negotiations; exceptions", the EC now seems to argue that the context of Article 24.5 – specifically, its placement among "exception" provisions under a heading entitled "exceptions" – is irrelevant with respect to Article 24.5, although the EC acknowledges that it is meaningful for Articles 24.6, 24.7, 24.8, and 24.9, and presumably would not deny that Articles 24.1 and 24.2 relate to international negotiations.⁶⁹ The EC implies that the placement of Article 24.5 as part of Article 24 was a drafting error despite the fact that the drafters correctly positioned other provisions. There is simply no evidence to support this contention.

95. Finally, the EC apparently contends that Article 24.5 accords additional rights to trademarks that are not provided by Article 16.1, and that it therefore cannot be regarded as an exception to GI protection.⁷⁰ Now, it is not at all clear how Article 24.5 accords additional rights to trademarks, since it simply limits the ability of GIs to prejudice trademarks. But even if it did, this does not take away from the fact that Article 24.5, by its own terms, acts as a shield for certain trademarks against GIs, and contains no provisions for limiting trademark rights. There is no rule that a provision that recognizes one right, such as with respect to trademarks, cannot be an exception to a separate obligation, such as with respect to GIs. To the contrary. Article 24.8, for example, limits GI protection in light of a person's right to use their own name, even though use of a person's name is not a form of intellectual property protected elsewhere in the TRIPS Agreement.

Article 24.3 of the TRIPS Agreement

96. With respect to the EC's claim that Article 24.3 requires the EC to maintain in place any violation of Article 16.1 that existed as of the entry into force of the TRIPS Agreement, the EC declines to provide any further arguments in its second written submission. We have already responded to the EC's argument that Article 24.3 mandates the maintenance of any system of GI protection, regardless of how contrary it is to other WTO obligations. In particular, the United States has explained that Article 24.3, like Article 24.5, is an exception to the protection of geographical indications (not trademarks) and that, by its introductory clause (*i.e.*, "In implementing *this Section*"), it limits only actions taken to implement the GI section of the TRIPS Agreement, and has no effect on other sections.⁷¹ The EC, by contrast, implies that the "exception" heading for Article 24 is apparently the result of a drafting mistake⁷² – and not part of the context of the provision – and inexplicably reads "in implementing *this Section*" to mean "in implementing *this Agreement*".

97. Moreover, given that the TRIPS Agreement was essentially unchanged between December 1991 and the time it entered into force three years later, the EC's interpretation of Article 24.3 would lead to the absurd result that a Member could have put in place a measure protecting GIs but containing blatant violations of numerous WTO obligations in the TRIPS Agreement and elsewhere, and then simply claim that Article 24.3 prevents the WTO-inconsistent measure from being modified. This is not what the provision says, is not consistent with its context, and could not have been what the Members intended. Indeed, a more logical reading of the text is that the reference to "diminish the protection of geographical indications that existed" in Article 24.3 is a reference to protection that

⁶⁹ EC Second Written Submission, paras. 313-314.

⁷⁰ EC Second Written Submission, para. 315.

⁷¹ US Second Written Submission, paras. 188-190.

⁷² EC Second Written Submission, para. 313 ("Article 24.3 is clearly not an exception"); EC Responses to Panel Question 74, para. 191.

existed with respect to individual GIs, rather than to entire systems of GI protection.⁷³ This interpretation is confirmed not just by the ordinary meaning, but also by the absurd ramifications that would result if the phrase were interpreted to apply to systems of protection.

98. Contrary to the EC's arguments, any measures taken to protect GIs at the expense of other WTO rights before the effective date of the TRIPS Agreement would not reflect bad faith, since Article 24.3, at least under the EC's reading, would specifically anticipate such measures.

Article 17 of the TRIPS Agreement

99. The EC maintains that the failure of the GI Regulation to accord owners of prior valid registered trademarks their "exclusive right to prevent all third parties" from confusing uses of identical or similar GIs, is a "limited exception" justified by TRIPS Article 17.⁷⁴ Indeed, the EC asserts that a system that allows Members "to define in advance ... the conditions for the application of an exception" has the "advantage of providing greater legal certainty to all parties involved, including the trademark owners."⁷⁵ The United States does not dispute that Article 14(2) of the GI Regulation provides a great degree of legal certainty – as the trademark owner will *always certainly* be unable to exercise its Article 16.1 rights *vis-à-vis* registered GIs.

100. If a blanket exception, requiring trademark owners to sell their products alongside the products of an *unlimited* number of producers using identical or similar signs in a confusing manner, is considered "limited", then the United States fails to understand how the EC accords "limited" a meaning providing any protection at all to a trademark. The phrase "limited exceptions", used in the context of TRIPS Article 30, was interpreted by the *Canada – Patent Protection* panel to "connote a narrow exception – one which makes only a small diminution of the rights", where "limited" was "measured by the extent to which the exclusive rights of the patent owner have been curtailed."⁷⁶ In this dispute, the EC has pointed to no true limits on the exception to the exclusive rights that trademark owners must tolerate under the GI Regulation. In fact, under the GI Regulation, the trademark owner is unable to assert its Article 16.1 rights during an *unlimited* period of time, and against an *unlimited* number of producers and products.

101. The EC's response that the trademark owner retains the right to prevent non-GI holders from confusing uses of similar or identical signs⁷⁷ is not relevant to the fact that they have already been subject to an unlimited exception. After all, diminution of the trademark owner's right to exclude can result in the loss of trademark rights.⁷⁸ Nothing in the GI Regulation prevents the possibility of a total loss of trademark rights – a result that obviously cannot be considered "a small diminution of the rights in question."⁷⁹

102. While TRIPS Article 17 contemplates some curtailment of the rights granted in Part II, Section 2 of the TRIPS Agreement, the language of Article 17 emphasizes that this curtailment for any particular trademark should be limited. Article 17 permits "limited exceptions to the rights conferred by a trademark"; it does not permit virtually unlimited exceptions to the rights of a limited *number* of trademarks. Thus, Article 17 permits limited exceptions to the rights conferred by a trademark, such that, as explained by the *Canada – Patent Protection* panel in the patent context, "the

⁷³ US Second Written Submission, para. 196-197.

⁷⁴ EC Second Written Submission, paras. 336-338.

⁷⁵ EC Second Written Submission, para. 346.

⁷⁶ Panel Report, *Canada-Patent Protection*, paras. 7.30-7.31. See US SWS, para. 201 and note 197.

⁷⁷ EC Second Written Submission, para. 336.

⁷⁸ See US Second Written Submission, para. 167 and note 167, citing German Federal Supreme Court, Decision 06.12.1990 – Case No. 1 ZR 297/88 ("SL"). (Exhibit US-67).

⁷⁹ Panel Report, *Canada-Patent Protection*, para. 7.30.

extent of the acts unauthorized by the right holder that are permitted by [the exception] will be small and narrowly bounded."⁸⁰ This is precisely the type of limited exception that would now be in place had the EC accepted a proposed amendment by a committee of Parliament that would have incorporated the substantive disciplines of trademark law, including the fair use exception thereof, into the GI Regulation.⁸¹ But this amendment was rejected.

103. The EC also points to the specific reference in Article 17 to "fair use of descriptive terms" as a specified type of "limited exception", and argues that "[i]f 'fair use' of an indication of source qualifies as a 'limited exception' ... so must be, *a fortiori*, the fair use of a geographical indication registered under Regulation 2081/92."⁸² As an initial matter, we note that a "descriptive" term is one that is "characterized by description", where description refers to "[a] detailed account of a ... thing."⁸³ Registered GIs, by contrast, are a form of intellectual property, with associated rights, that are not merely "descriptive." They are source indicators that represent "a quality, reputation or other characteristic of the good [that] is essentially attributable to its geographical origin." The EC cannot fairly assert, therefore, that all registered GIs can, without exception, be considered merely "descriptive".

104. Further, the EC's argument highlights its erroneous understanding that every use of a registered GI, regardless of the extent to which it affects the rights of a trademark, must be considered "fair" simply because the GI is registered. Indeed, the EC did not provide an interpretation of the phrase "fair use". This is probably because "fair" refers to use that is "just", "equitable, impartial."⁸⁴ In the copyright context, for example, "[f]air use involves a balancing process by which a complex of variables determine whether other interests should override the rights of the creators."⁸⁵ The EC fails to explain how a blanket and *unlimited* exception to Article 16.1 rights for owners of all trademarks that are similar or identical to registered GIs can, in every situation, be considered "just" or "equitable", or how trademark owners are accorded the benefit of a "balancing process". After all, the "fair use" must be a "limited exception".

105. Finally, the EC has not demonstrated that the GI Regulation takes into account the "legitimate interests" of third parties or of the trademark owner. For example, by diminishing the trademark owner's Article 16.1 rights, the GI Regulation results in consumer confusion, which is certainly not in their "legitimate interests". Nor are the legitimate interests of a trademark owner respected through a blanket exception that benefits GI right holders without any regard for the trademark owner.

Conclusion

106. Before I conclude, I want to note that, as we listened to the oral statement of the EC this morning, we found that in most paragraphs in which the EC discusses a US argument or an exhibit, the EC's characterizations were inaccurate or misleading. For example, the EC implies that Hungary's ministerial reasoning with respect to its GI law has no relation to the EC GI Regulation, because that law applies only to products not covered by the EC GI Regulation. But the fact is that Hungary had to change its law upon accession to render it consistent with the EC GI Regulation and, in doing so,

⁸⁰ Panel Report, *Canada-Patent Protection*, para. 7.45.

⁸¹ See US First Oral Statement, at para. 75, citing Opinion of the Committee on Legal Affairs and the Internal Market for the Committee on Agriculture and Rural Development on the proposal for a Council regulation amending Regulation (EEC) No 2081/92 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs, European Parliament, 2002/0066(CNS) (10 September 2002), pp. 13-14. Exhibit US-21.

⁸² EC Second Written Submission, para. 338.

⁸³ The New Shorter Oxford English Dictionary, p. 644. Exhibit US-79.

⁸⁴ The New Shorter Oxford English Dictionary, p. 907. Exhibit US-79.

⁸⁵ Black's Law Dictionary (Abridged Sixth Edition 1991), p. 415. Exhibit US-80.

made clear that Article 14(3) provides protection to well-known marks. That reasoning, therefore, is directly pertinent to the EC GI Regulation and not in the least irrelevant. Similarly, the EC claims that its GI Regulation guidelines merely "repeat[] verbatim the wording of Article 14(3)" and therefore does not support the U.S.'s reading of that article. But this is untrue. In fact, the guidelines emphasize that conflicting trademarks do not prevent the registration of GIs "as a general rule"; that Article 14(3) represents the "only" circumstance in which this is not true; and that "in all other cases, the name can be registered notwithstanding the existence of the registered trademark." While this explanation is entirely consistent with any good-faith reading of Article 14(3), it is not in any sense a verbatim repetition.

107. You will be happy to hear, in light of the hour, that we considered, but rejected, the idea of rebutting each of the EC's misrepresentations paragraph by paragraph. Instead, we simply want to point out this aspect of the EC statement to the Panel, note several examples, both here and earlier in our statement, and strongly suggest that the Panel examine the source material – and not just the representations in the oral statements of the parties – as they consider the parties' arguments.

108. To conclude, as I said at the outset, we brought this dispute – after five years of fruitless consultations – because the EC GI Regulation provides significant commercial benefits to products and persons receiving GI status under the Regulation, but imposes prohibitive barriers to access to these benefits on non-EC products and persons. It also provides those significant benefits to EC persons and products at the expense of owners of prior registered trademarks, who are supposed to have certain rights associated with their trademarks under the TRIPS Agreement. We therefore ask that the Panel find that the EC GI Regulation is inconsistent with the EC's obligations under the TRIPS Agreement, the Paris Convention, and the GATT 1994, as set out in our written submissions and oral statements in this proceeding.

109. Thank you very much for your attention and for your hard work in analyzing the claims and arguments of the Parties in this dispute. We would be happy to answer any questions the Panel may have.

ANNEX A-7

**CLOSING STATEMENT OF THE UNITED STATES
SECOND SUBSTANTIVE MEETING**

(12 August 2004)

1. Thank you, Mr. Chairman and members of the Panel. We appreciate your hard work over the past two days.

2. As the EC suggested in its closing statement, it is true that this case has become fairly complicated, although it started off fairly simple and straightforward. Our legal claims were based on a simple problem: An EC GI Regulation that benefits EC persons and products to the detriment of non-EC persons and products and to the detriment of trademark rights. The EC GI Regulation purports to provide significant economic and competitive benefits for persons and products receiving GI status, but then effectively reserves those benefits to EC persons and products, erecting prohibitive barriers to access to those benefits for non-EC persons and products, and protecting EC persons and products from competition from non-EC persons and products.

3. This relatively simple case became complicated because the EC, in order to defend itself against rather straight-forward WTO inconsistencies, threw one complicating factor after another into the mix. It is difficult to try to explain that the Regulation does not mean what it says, and that is where the complications come in. For instance, for the EC to defend against our claims, the meaning of the Regulation had to be seriously contorted so that, for instance, a relatively straightforward and WTO-inconsistent requirements of equivalence and reciprocity has to, somehow, be read out of the Regulation. Where it is clear that the EC GI Regulation prevents trademark owners from exercising rights guaranteed by Article 16.1 of the TRIPS Agreement, the EC has to explain somehow why trademark owners have no need of those rights – when, of course, they do – and has to devote long, complicated arguments to explaining how the Regulation blocks the registration of any and all confusing GIs, when in fact, by its own terms, it does not and cannot. The EC also has to try to explain how numerous and vague unfair trade statutes, labeling requirements, deceptive advertising rules and the like somehow make up for the lack of Article 16.1 rights. They, of course, do not, but attempting to explain that they do is complicated. That is why this relatively straightforward case has become complicated.

4. I will divide my closing remarks into two general categories – national treatment/MFN, and trademark rights.

National Treatment/MFN

5. On the issue of reciprocity and equivalence in Article 12(1) of the GI Regulation, there is obviously a disagreement between the complainants and the respondent on the facts, that is, on the meaning of the GI Regulation. The EC claims that it is entitled to "considerable deference", a standard that is not in any WTO agreement or any dispute settlement report. The EC's apparent hope is that the Panel will not make factual findings based on the evidence, but will simply adopt wholesale the EC's interpretation of the Regulation. But it is the task of this Panel to make an objective assessment of the facts concerning this measure and what it means. The Panel must determine if there is a solid evidentiary basis for a factual finding that reciprocity and equivalence conditions do not apply to non-EC WTO Members, and that, in fact, there is a mechanism in the GI Regulation for registering and protecting GIs of other WTO Members without those conditions. As the United States has said before, and I will repeat again today, the United States would welcome a finding based on authoritative domestic legal instruments that the GIs of other WTO Members can be registered

without the WTO Members satisfying those conditions. But, on the basis of the evidence that we have seen, we have no confidence that this is the case, or that the European Court of Justice would agree with the EC's interpretation in this dispute.

6. With respect to whether the GI Regulation discriminates against nationals, the EC has effectively argued that, somehow – because of the special nature of the TRIPS national treatment requirement, and because there is also a GATT Article III national treatment requirement with respect to goods – unless a measure literally and specifically states the word "national" in connection with less favorable treatment, there can be no TRIPS national treatment violation. Although the Regulation itself does not use the word "national", it does everything but. And, indeed, the preamble to last year's amendments *does* use that word in admitting that the distinctions made in the Regulation are based on nationality. Without repeating all of the details we have argued elsewhere, the distinctions made in the Regulation between the EC track and the non-EC track for GI Registrations (and objections) correspond extremely closely, if not exactly, to nationality. Simply stated, non-EC nationals are on a different track than EC nationals, and that non-EC different track provides much less favorable treatment than the EC track.

7. Does the differential treatment also correspond to the origin of the product? Yes, it does. There is an overlap. And this overlap may well be more pronounced in the case of geographical indications than in the case of other forms of intellectual property rights. But the fact that the GI Regulation discriminates against non-EC products, should not and does not detract from the fact that it also provides less favorable treatment of non-EC nationals as well. There is absolutely no basis in any principle of treaty interpretation that would justify a narrow, technical reading of the TRIPS Agreement national treatment obligation, simply because the measure is also covered by the GATT 1994 Article III national treatment obligations. GATT Article III is simply not an excuse for whittling down the TRIPS Agreement national treatment obligation to virtually nothing.

8. The EC argument that the less favorable treatment is based on where a person is established and producing GI products and not on that person's nationality simply does not hold up. Nor does the EC's claim, which we just heard in the EC's closing statement, that the "foreign" and "domestic" registration tracks are simply a matter of "drafting" differences. The simply truth is that, because of the two "tracks", EC nationals have direct means to avail themselves of GI protections in the EC, and non-EC nationals do not.

Inspection Structures

9. With respect to the unilateral imposition of inspection structures on other WTO Members, the EC would like the issue to be "what is wrong with the EC's inspection structure system?" So, the EC jumped gleefully on my statement yesterday that their inspection system is "fine". What I meant was that it was fine for the EC. What we object to, and what is contrary to the WTO agreements, is imposing that particular structure on us as a precondition to our products and persons receiving GI status in the EC. What if we, too, established a inspection system for protection of GIs in the United States, and then imposed that inspection system on the EC as a condition to protecting EC GIs? What if the inspection system that we imposed were incompatible with the EC's system? What if all of the WTO Members did the same thing: developing particular inspection systems for themselves and requiring other WTO Members to adopt the same systems? How many competing and incompatible inspection structures can one WTO Member establish in its territory before its entire system becomes unworkable? That is one reason that the issue is not "what is wrong with the EC inspection system", but "why is the EC justified in imposing that system on other WTO Members."

10. Further, the EC says that its inspection structure is product-specific. This statement is misleading and inaccurately dismisses the broad scope of the requirement in Article 10 of the GI Regulation, which requires that an inspection structure be established by the WTO Member, and that,

under that structure, particular inspection bodies may be authorized to conduct inspections. Further, these inspection structure requirements have nothing to do with whether the products satisfy the substantive criteria of the Regulation; we are not in this dispute challenging the requirements that a product must meet in order to claim GI status.

Government Involvement

11. We have already explained why it is WTO-inconsistent for the EC to require other WTO Members to assess whether GI applicants comply with the requirements of the EC GI Regulation and to do the EC's work for it. During this meeting, and for the first time to this degree, the EC focuses on TRIPS Article 24.9, which provides that Members need not protect GIs not protected in the country of origin. The EC uses this provision to support its proposition that the TRIPS Agreement itself permits the EC to require that other WTO Members assess the GI applications of its nationals and transmit those applications to the EC. According to the EC, only the WTO Member government, and not the individual rightholder, is in a position to show that the GI is protected in the country of origin.

12. But we ask the Panel to consider this argument carefully. The EC's assertion is perhaps true if a WTO Member has an EC-style GI protection system, with a central list of protected GIs maintained by the government. But, as indicated by several WIPO publications we have cited in this proceeding, WTO Members protect GIs in a number of ways, including through certification or collective marks, unfair trade statutes, and the like. Further, some WTO Members have common law certification and collective mark systems, in which the marks are not maintained on any central register. For all of these Members, perhaps unlike the EC, the government is not in a better position than the rightholder to provide information that the GI is protected in its country of origin. Therefore, implicit in the EC's argument – and in the requirement that the WTO Member government and not the rightholder show that the GI is protected in the country of origin – is the assumption that, in order to have their GIs protected in the EC, other WTO Members must have a system of GI protection that is similar to the EC system. This requirement is a "back-door" way of imposing an EC-style system of GI protection on other WTO Members.

13. Further, the EC characterizes its requirement that other WTO Members process GI applications as "cooperation". I know why they call it "cooperation": who can be against cooperation? But this is not cooperation. The EC is forcing other sovereign WTO Members to subject themselves to the EC's requirements and forcing other WTO Members to do the EC's job for it, as a condition of receiving GI status for its persons and products. That is not cooperation.

Article XX(d) of the GATT 1994

14. The EC's second submission contains the EC's only substantive argument on Article XX(d) of the GATT 1994. It went on for several pages; clearly some work went into it. Yet, the EC's argument was that the WTO-inconsistent requirements alleged by the United States are necessary for the "attainment of the objectives" of the Regulation or "indispensable for the implementation" of the Regulation. But we have to be much more rigorous than this when considering whether a Member has satisfied the strict conditions for an exception to basic WTO obligations. An examination of previous disputes discussing these exceptions – such as *Korea – Beef* – shows the level of rigor and analysis that is appropriate for this analysis. In brief, the requirement under the GATT 1994 Article XX(d) is that a WTO-inconsistent measure must be "necessary to secure compliance" with a WTO-consistent law or regulation. This requirement cannot be glossed over or swept under the carpet. It is simply irrelevant under GATT 1994 Article XX that a measure is necessary for the objectives of a regulation, or indispensable to the implementation of a regulation. It must be necessary to secure compliance with a WTO-consistent regulation.

15. I heard a brief conclusion in the EC's closing statement that these requirements are necessary to ensure that a product meets the specifications. But it is not clear that the specifications are a regulation, or in what sense the specifications – if they are the regulation the EC has in mind – are WTO-consistent. In short, the EC has not even made a credible attempt to support its case for entitlement to an Article XX(d) exception, because it has not even shown that the WTO-inconsistent requirements secure compliance with a WTO-consistent regulation. And, of course, we have already described in our oral and written submissions why these requirements are not in any sense "necessary".

Trademarks

16. While our claims with respect to trademarks are separate from our national treatment and MFN claims, the theme is the same: through GI registration, the EC gives its nationals protection against the trademark rights of all trademark owners under the TRIPS Agreement, including non-EC nationals.

17. Several points in our discussions today are worth highlighting. Notably, the EC continues to maintain that, presumably in satisfaction of his TRIPS Article 16.1 rights, the trademark owner has full rights to challenge and cancel a GI registration, by alleging inconsistency with Article 14(3) of the Regulation. We are not sure that this "right", if available, is responsive. But since we had a considerable amount of new discussion of this issue during this meeting, some comments are in order. First, Article 16.1 requires that the trademark owner be able to prevent confusing uses of a GI. Cancellation of an entire GI might or might not be necessary to do this. It seems wholly unrealistic, for instance, that the owner of a trademark in one EC member State would be able to convince the ECJ that an entire EC-wide GI should be cancelled, simply to avoid a particular confusing use in his local market. In this case, particularly, the supposed opportunity to "cancel" a registration is an inadequate substitute for the ability to prevent confusing uses.

18. Second, the EC had initially suggested to the Panel that a trademark holder could challenge the registration directly, presumably under Article 230 of the EC Treaty. In response, we pointed out that any such challenge would have to be made within two months from the registration, and that, after that point, the trademark owner would be powerless to challenge the registration, even through an "indirect" challenge in EC member State courts. The EC now responds, contrary to its earlier suggestions, that trademark owners might not be able to satisfy the "directly and individually concerned" standing requirement for challenging the registration under Article 230, raising the possibility that some trademark owners might be able to challenge the registration after the two-month deadline expires. At least in the case of identical signs for identical goods, it would seem that the trademark owner *would* be directly and individually concerned. But not even the EC is claiming that *no* trademark owners would be considered directly and individually concerned. Therefore, even under the EC's approach, not all trademark owners would have the opportunity to challenge the registration after the two-month deadline (and, indeed, it may be that none would have that opportunity). Consequently, it cannot reasonably be asserted that no trademark owners will be barred from challenging GI registrations after two months. Third, those trademark owners, if any, not prevented from challenging the registration after the two-month deadline expires, would not be entitled to a referral to the ECJ, which is in the discretion of the courts. Finally, it appears that none of the GI registrations pursuant to accession protocols is subject to challenge at all.

19. And in any case, the substantive standard that would be applied by the court under Article 14(3) is more strict than that required under TRIPS Article 16.1. Article 14(3) provides for the rejection of a GI Registration where it is likely to mislead the consumer in light of the trademark's reputation, renown and length of time used. That is not the standard under Article 16.1, which only requires confusion. The EC says that the confusion analysis always involves the consideration of

renown, but that is not true. For example, where there are identical signs for identical goods, reputation, renown, and length of time will be irrelevant.

Article 24.5 of the TRIPS Agreement

20. The EC points to the supposed difference between the United States and Australia regarding Article 24.5 with respect to the Article 24.5 phrase "right to use a trademark". Regardless of whether this is true, however, there is no difference with respect to the main issue: that Article 24.5 says that measures to implement the GI section shall not prejudice the eligibility for or the validity of the registration of a trademark, and that Article 16.1 requires that owners of such registered trademarks have certain rights. Further, even if the EC is right that Article 24.5 prevents Members from prejudicing the right to put "signs" on goods, this does not give license *to* prejudice rights guaranteed under Article 16.1 to prevent confusing uses of signs. We urge the Panel to be very careful not to read away important Article 16.1 rights through a negative implication, particularly one arising from a misreading of Article 24.5.

Article 24.3 of the TRIPS Agreement

21. We find it extraordinary that the EC complains that our reading of Article 24.3 would mean that trademark owners have more rights after the TRIPS Agreement comes into force than they had before the TRIPS Agreement came into force. That is the whole point of Article 16.1 of the TRIPS Agreement. That's why we signed the TRIPS Agreement. In contrast, the EC says that whatever GI protections were in place when the TRIPS Agreement came into effect cannot be changed, regardless of whether they are consistent with other TRIPS Agreement or WTO obligations. This reading is not supported by the text and is not what the negotiators intended. Further, we do not understand the EC's point that our reading of Article 24.3 discriminates against those with registration systems in place on the date the TRIPS Agreement came into force. Article 24.3 does not identify any particular system for the protection of GIs. That provision merely says that whatever protection was provided to GIs – regardless of system – cannot be diminished in implementing the GI section of TRIPS.

Article 17 of the TRIPS Agreement

22. Under Article 17, there is a difference between using a place name to describe a product and using a GI in a trademark sense to differentiate and encourage consumers to buy the product. Use of a GI in a promotional sense by an unlimited number of people, over an unlimited amount of time and for nearly unlimited uses cannot be justified as a limited exception under Article 17. Further, this, by definition, allows consumers to be confused, which is not in the interest of either trademark owners or consumers.

Conclusion

23. We sincerely thank the Panel. We know this has been a long and complicated two days, and that we have generated a lot of paper over the course of this dispute. But I do agree with the EC that these past two days have elucidated many issues. While the EC and we still do not agree on many issues, we at least have a better sense of where we disagree. Thank you.

ANNEX A-8

**REPLIES BY THE UNITED STATES TO QUESTIONS POSED BY THE PANEL
FOLLOWING THE SECOND SUBSTANTIVE MEETING**

(26 August 2004)

Q94. 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

Q95. 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

Q96. 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

Q97. 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

Q98. 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*

Q99. 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

Q100. 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

Q101. 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

Response:

1. As the United States understands it, the quadrants referenced by the Panel refer generally to four situations that might arise with respect to nationals and the protection of geographical indications: (1) an EC national claiming rights to a GI that refers to a territory in the EC ("EC-based GI"); (2) a non-EC national claiming rights to an EC-based GI; (3) an EC national claiming rights in a non-EC-based GI; and (4) a non-EC national claiming rights in a non-EC-based GI. Graphically, this is presented in four quadrants as follows:

5. As the Panel notes, the EC relies on the existence of quadrant 2 to claim that some non-EC nationals are accorded the same treatment as EC nationals. But the fact that some non-EC nationals (however few in number) might be accorded the same treatment as EC nationals in quadrant 1 does not detract from the fact that, compared to the non-EC nationals in quadrant 4, there is less favorable treatment. A national treatment breach is not cured simply because *some* non-EC nationals may be treated the same as EC nationals, or because *some* EC nationals may be treated worse than others. That there are situations – in this case, an overwhelming number – in which the treatment accorded to non-EC nationals is less favorable than that accorded to EC nationals is sufficient to establish a national treatment breach.³

6. A similar analysis would apply with respect to the Paris Convention national treatment obligation in Article 2(1), which provides similarly that "[n]ationals of any country of the Union shall, as regards the protection of industrial property, enjoy in all other countries of the Union the advantages that their respective laws now grant, or may hereafter grant, to nationals ..."

7. The Appellate Body has found less favorable treatment of other WTO Member nationals under Article 3 of the TRIPS Agreement based on the denial of "effective equality of opportunities" to those nationals. In the context of GIs, "effective equality of opportunities" for non-EC nationals requires that persons in quadrant 4 be accorded treatment as favorable as that accorded to persons in quadrant 1. The EC GI Regulation denies such treatment. Consider the simple example of two sets of nationals, one group of EC nationals in France claiming GI rights with respect to their cheese in a particular region in southeastern France, and one group of Swiss nationals claiming GI rights to their cheese over the border in a particular region of Switzerland. By providing a ready avenue for the French nationals to register and protect their cheese GI in the EC, but making it considerably more difficult, if not impossible, for those Swiss nationals to register and protect their comparable cheese GI, the EC is plainly denying "effective equality of opportunities" for those Swiss nationals and according those Swiss nationals less favorable treatment with regard to the protection of intellectual property than it is according the French nationals.

8. With respect to the Panel's more general question, the text of the TRIPS Agreement is clear that the Article 3.1 analysis requires comparisons of treatment based solely on nationality with respect to "a particular category of intellectual property."⁴ Moreover, nothing in the text of the TRIPS

jurisprudence on Article III:4 of the GATT 1994 may be useful in interpreting the national treatment obligation in the TRIPS Agreement." (para. 242).

³ Similarly, the panel in *US – Section 337* concluded that "the 'no less favorable' treatment requirement of Article III:4 has to be understood as applicable to each *individual case of imported products*. The Panel rejected any notion of balancing more favorable treatment of some imported products against the less favorable treatment of other imported products. If this notion were accepted, it would entitle a contracting party to derogate from the no less favourable treatment obligation in one case, or indeed in respect of one contracting party, on the ground that it accords more favourable treatment in some other case, or to another contracting party. *Such an interpretation would lead to great uncertainty about the conditions of competition between imported and domestic products and thus defeat the purposes of Article III.*" Panel Report, *US – Section 337*, para. 5.14 (emphasis added).

⁴ To suggest that one make comparisons based on nationality with respect to *different* intellectual properties (e.g., treatment of national A with respect to patents compared to treatment of national B with respect to copyrights) is not only illogical, but is also inconsistent with the text and context of TRIPS Article 3. For instance, the second sentence of Article 3.1 refers to limitations to the national treatment obligation when comparing treatment of nationals with respect to related rights. The same is true for TRIPS Article 4, in which subparagraphs (b) and (c) of Article 4 refers to exceptions to the MFN obligation when comparing treatment of nationals with respect to copyright and related rights. Thus the text and context of both Articles 3 and 4 make clear that any analyses under these provisions requires comparisons of treatment based on nationality with respect to "a particular category of intellectual property."

Agreement suggests that comparisons be made with respect to *both* nationality *and* "a particular type of products or other sub-categories." One could read the EC's argument as suggesting just such an analysis, *i.e.*, quadrant 1 (EC nationals with EC-based GIs) can be compared only with quadrant 2 (non-EC nationals with EC-based GIs), not with quadrant 4 (non-EC nationals with non-EC-based GIs). Yet there is simply no basis, textual or otherwise, to limit the national treatment obligation under TRIPS to this or any other sub-category of a particular intellectual property. The same is true for a TRIPS Article 4 analysis.

Q102. 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

Response:

9. As an initial point, as illustrated above in response to question 101, it is not critical for the Panel to make a factual assumption that all persons producing GI products in a country are nationals of that country. Indeed, it is undisputed that the EC GI Regulation on its face provides for different treatment of persons depending on which quadrant set out in response to question 101 they fall in.⁵ Further, it is clear that, under the GI Regulation, there is less favorable treatment accorded to non-EC nationals in quadrant 4 than is accorded to EC nationals in quadrant 1. Consequently, there is a breach of national treatment obligations on the face of the EC GI Regulation, whether or not one makes assumptions concerning all persons producing GI products in a country

10. This said, applicants for a GI Registration are groups of producers and/or processors, natural persons and legal persons that apply for registration with respect to agricultural products or foodstuffs that they produce or obtain within a specific geographic area.⁶ In order to produce or process agricultural products and foodstuffs in a particular geographic area, such persons will be established in that area and will have to set up a legal person under the laws of the country in which they are established and producing agricultural products and foodstuffs.⁷

11. Therefore, to the question whether it is safe to assume that such persons, established and producing agricultural products and foodstuffs in a country, are "nationals" of that country for purposes of the national treatment obligation of the TRIPS Agreement and the Paris Convention, the answer is, generally, yes. First, any real and effective commercial or industrial establishment in a separate customs territory WTO Member would, under Article 1.3, footnote 1, of the TRIPS Agreement, be a national of that WTO Member. Second, persons established and producing agricultural products and foodstuffs in any WTO Member that confers nationality on the basis of such establishment would necessarily be nationals of that WTO Member. Third, under Article 3 of the Paris Convention, even a national from a non-Paris Union country is treated as a national for national treatment purposes if it has a real and effective commercial establishment in a Paris Union country. Fourth, as the EC has itself noted, for legal persons, a country's "nationals" are often defined in terms of where that company is incorporated. As the EC has itself unwittingly illustrated in its examples of so-called non-EC nationals taking advantage of EC GIs, companies established and producing agricultural products and foodstuffs in a country generally become incorporated in that country and

⁵ Moreover, the EC has not argued, as indeed it cannot, that there are no persons falling in quadrant 4.

⁶ Articles 5(1), 5(2) and 12a(1) of the GI Regulation.

⁷ See Article 2, Regulation 2037/93, which states: "Where national law treats a group of persons without legal personality as a legal person, the said group of individuals shall be authorized to submit an application." Exhibit Comp.-2a.

are therefore nationals of that country.⁸ Finally, and as context, the United States notes that nationals are defined in Article 1.3 of the TRIPS Agreement to include natural or legal persons that would meet the criteria for eligibility of protection provided for in the Paris Convention. Article 10 of the Paris Convention defines "interested parties" in indications of source as including those natural or legal entities engaged in production of goods established either in the locality falsely indicated as the source, or in the country where the false indication of source is used.

12. In other words, it will generally follow as a legal matter that those established and producing agricultural products and foodstuffs in a Member are nationals of that Member; it also generally follows as a practical matter. In fact, the United States is unaware of any GI registrations granted to applications from a non-EC national for the protection of an EC GI. Nor has the EC provided any such examples. Instead, as noted above, the EC has simply provided examples of situations in which non-EC nationals have some involvement in companies that *are* EC nationals producing EC GI-protected products. Further, as the United States has pointed out, US agricultural land is held almost exclusively by US nationals.⁹

13. Finally, as noted previously, there is an extremely close fit between a distinction based on where a legal person is established and producing agricultural products and foodstuffs and a distinction based on nationality. The Panel therefore should find that, by discriminating against those established and producing products outside the EC, the GI Regulation discriminates against non-EC nationals.

Q103. 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 EC has cited several purported examples of non-EC nationals claiming rights in EC-based GIs. However, these examples confirm the contrary proposition. In its oral statement at the second meeting, at paragraph 8, the EC cited the examples of Sara Lee, Kraft Foods, and Nestle. In the "Sara Lee" example, it is apparent from the EC's own Exhibit EC-61 that the transactions did not involve non-EC nationals. Exhibit EC-61 contains the decision of the Commission not to oppose, *inter alia*, the acquisition of Al Ponte Prosciutto, S.R.L. by Sara Lee Personal Products, S.p.A. The EC states in its oral statement that "Sara Lee, a large US multinational, acquired Al Ponte Prosciutto, which produces Prosciutto di Parma," citing to Exhibit EC-61. This is incorrect. Al Ponte Prosciutto was not acquired by Sara Lee Corporation, the US parent company of the Sara Lee group. As Exhibit EC-61 states, Al Ponte Prosciutto was acquired by Sara Lee Personal Products, S.p.A., an Italian corporation under common control with Sara Lee Charcuteria SA, a French corporation. As a legal matter, all companies involved in the transaction were EC companies and, thus, EC nationals. The "Kraft Foods" example involves, according to Exhibit EC-62, a company founded in Italy in 1908 by Giovanni Invernizzi. Nothing suggests that this company is not Italian. In 1985, his son sold the company to Kraft Foods Group, which has an Italian subsidiary. In 2003, the business of Giovanni Invernizzi's Italian company was partly sold to Lactalis, a French dairy company, again with an Italian subsidiary. Nothing suggests that the Italian company somehow became a US national at any point in these transactions. Similarly, with respect to the "Nestle" example, nothing in Exhibit EC-63 suggests that the salami firm Vismara, owned by Nestle, and sold to another Italian company, was not a company incorporated in Italy and an Italian national. Similarly, the EC cited in its second submission, paragraph 46, the example of a Norwegian, Mr. Larsen, who founded Larsen Cognac House in 1926. As Exhibit EC-36 notes, Mr. Larsen bought the small firm of Cognac Joseph Gautier and his son took over the firm which, by then, operated under the name Larsen. The firm's website indicates that the firm is a French corporation (a *societe anonyme*) domiciled in Cognac, France. Similarly, the other examples provided by the EC of companies in the wine sector – a sector not covered by the EC GI Regulation – do not support the EC's view with respect to any non-EC nationals claiming rights in EC-based GIs.

⁹ US Opening Oral Statement at Second Meeting, para. 14.

Response:

14. The United States understands the question as referring to the fact that the two different "tracks" for registering GIs – the "domestic track" under Article 5 and the "foreign track" under Article 12 and 12a – do not literally use the words "EC national" and "non-EC national" to describe those using each track; and that, similarly, the two separate objection procedures also do not use the words "national" but refer to persons "from a WTO Member" and persons "resident or established" in a WTO Member. Hence, the measure is arguably "neutral" on its face.

15. As an initial point, it is worth underscoring again that, although the EC GI Regulation does not use the word "national", it does provide for different treatment of persons depending on which quadrant set out in response to question 101 they fall in. Further, there is less favorable treatment accorded to non-EC nationals in quadrant 4 than is accorded to EC nationals in quadrant 1. Consequently, there is a breach of national treatment obligations, despite the lack of specific references to "nationals".

16. Of course, whether there is *de facto* discrimination depends on the particular measure and the facts involved. In the context of this particular dispute, among the additional factors relevant to finding inconsistency with the national treatment and MFN obligations under the TRIPS Agreement and the Paris Convention – despite the lack of the word "national" in connection with the discrimination in the EC GI Regulation – are that:

(1) As discussed above, it is apparent from the measure itself that there is a very close fit – and often a complete identity – between the criteria for who qualifies for the "domestic track" versus who qualifies for the "foreign track" and EC nationals versus non-EC nationals. Although the GI Regulation does not use the terms "EC national" and "non-EC national", it does everything but. The same is true of the two tracks for objections: indeed, as the US second oral statement noted, the EC itself stated in the preamble to the amendment to the GI Regulation last year that the additional track for persons resident or established in other WTO Members was necessary in order to provide the right of objection to other WTO Members' "nationals".¹⁰ Further, that there may not be a perfect fit – *i.e.*, that some situations might fall within quadrants 2 and 3 in the response to question 101 – does not detract from the national treatment violation.

(2) Indeed, from a practical point of view, it is hard to construct a closer fit between the distinctions drawn in the GI Regulation and "nationality". One possibility would have been for the EC GI Regulation literally to discriminate based on nationality. But this would have presented practical difficulties, because the EC has asserted that, under the TRIPS Agreement, the nationality of a person is determined according to the law of the country whose nationality is being claimed. Therefore, a literal distinction in the GI Regulation between EC nationals, on the one hand, and non-EC nationals, on the other, would have required reliance, not on rules set out in the GI Regulation itself, but on the laws of the various non-EC countries. By contrast, making distinctions based on where the person is established and producing agricultural products and foodstuffs – as the GI Regulation does – avoids reliance on the laws of non-EC countries, while nonetheless making distinctions corresponding to nationality.

(3) There is a close connection between geographical indications, geographic regions, and the persons established in those regions¹¹ – a reputation for products from those regions

¹⁰ US Opening Oral Statement at Second Meeting, para. 9.

¹¹ As the EC itself has noted, "geographical indications are the common patrimony of all the producers of a certain area, and ultimately of the entire population of that area." First Written Submission of the EC,

often builds up over hundreds of years. For this reason, among others, it is obvious that, for instance, French nationals have an interest in claiming rights to French-based GIs, and US nationals have an interest in claiming rights to U.S.-based GIs. This fact is intrinsic to the very nature of the GI itself. Predictably, it is also born out by factual indications that for instance, in the United States, nationals have an interest in GIs of their own nationality¹² and that agricultural land is 99% owned by US nationals.¹³ Equally predictably, the only examples the EC can come up with in rebuttal are apparent examples of *EC nationals* with some non-EC connections taking advantage of EC GIs.¹⁴ Therefore, discrimination against those with rights in non-EC GIs equates to discrimination against non-EC nationals.

(4) After 12 years, there is not a single non-EC-based GI that is registered in the EC, compared to over 600 EC-based GIs. Of the over 600 EC-based GIs, the EC to date has not been able to identify a single GI applicant who is not an EC national (even though it, and not the United States, has access to all of the relevant registration information).

(5) The Appellate Body has been clear in the analogous context of other national treatment obligations in the WTO agreements that the national treatment obligation covers both *de jure* and *de facto* discrimination. One reason is that, if the obligation were only *de jure*, circumventing the obligations would be easy.¹⁵ Therefore, the Appellate Body has been clear about the need for a meaningful analysis of *de facto* discrimination, not just *de jure* discrimination. This is not to say, however, contrary to the EC's claims, that evidence of actual circumvention is necessary to justify a finding of *de facto* discrimination, or that the existence of Article III GATT 1994 obligations means that a *de facto* analysis under the TRIPS national treatment obligation is unnecessary. To the contrary, the Appellate Body has been clear in finding that, in the absence of *express* language limiting the analysis to *de jure* discrimination, national treatment obligations are *de facto* obligations.¹⁶ a Member cannot avoid these obligations by formally neutral language.

17. As for the notion that the existence of Article III of the GATT 1994 somehow eliminates the possibility of a *de facto* breach of TRIPS Article 3, this is plainly wrong. Article III of the GATT 1994 concerns less favorable treatment of products based on origin, whereas TRIPS Article 3 concerns less favorable treatment of persons regarding intellectual property protection based on nationality. In the case of GIs, there is a strong link between persons claiming rights and the goods with respect to which the rights are claimed. According to Article 22 of the TRIPS Agreement, GI rights derive solely from the existence of *goods* that have a "quality, reputation or other characteristic" attributable to its territory of origin. Thus, a GI right does not exist in the abstract; it exists solely in

paragraph 307, 4th bullet point. Similarly, EC Trade Commissioner Lamy, in a speech last year, described the benefits of geographical indication protection as follows:

the geographical indication is a kind of collective "mark" of the farmers and craftsmen of a region. It guarantees that the use of a name will remain attached to a region and to the community that saw its birth.

SPEECH/03/292 Pascal Lamy EU Trade Commissioner Creation of the Organisation Geographical Indications Network (ORIGIN) Brussels, June 11, 2003 (emphasis added). Exhibit US-49. Similarly, as mentioned in other US submissions, the preamble to the EC GI Regulation cites the "considerable" benefit to the rural economy by "improving the incomes of farmers and by retaining the rural population in these areas."

¹² See Response of the United States to Panel Question 27 (July 8, 2004), para. 55; Exhibit US-43.

¹³ Exhibit US-72; US Opening Oral Statement at Second Meeting, para. 14.

¹⁴ See response to question 104 above, note 8.

¹⁵ Appellate Body Report, *EC – Bananas*, para. 233; Appellate Body Report, *Canada – Autos*, para.

142.

¹⁶ Appellate Body Report, *EC – Bananas*, para. 233. It is important to note that, by arguing that evidence of actual circumvention is necessary for a determination of *de facto* violation, the EC is only confusing the *de jure – de facto* distinction with the "as such" – "as applied" distinction.

connection with goods. To attempt, as the EC does, to divorce the acquisition of the right from the good that is the subject matter of the right overlooks this feature of the right. Indeed, given this fundamental aspect of GIs, the EC GI Regulation thus discriminates against both the goods identified by a GI and persons with rights to or interest in those GIs. The EC is wrong to complain about "overlap": the Regulation simply breaches more than one WTO obligation.

18. The lack of a general exception like Article XX of the GATT 1994 is not relevant to whether there is *de facto* discrimination under the TRIPS Agreement or to the interpretation of Article 3 of the TRIPS Agreement. It is, however, relevant to the fact that Article III of the GATT 1994 and Article 3 of the TRIPS Agreement are two separate obligations. The TRIPS Agreement contains general "security exceptions" (Article 73), just as the GATT 1994 contains "security exceptions" in Article XXI. Article 3.2 of the TRIPS Agreement also contains limited exceptions to national treatment as provided for in the Paris Convention, using language directly analogous to parts of Article XX(d). This shows that the drafters were able to incorporate Article XX type approaches where they deemed warranted. That there are no general Article XX exceptions to TRIPS obligations can only be regarded as deliberate. And while the lack of such exceptions has no impact on how to interpret the fundamental national treatment obligation (much less should its absence be read to adopt a narrow reading of this obligation), it does confirm that any defense the EC might present under GATT Article XX(d) with respect to GATT violations is not transferrable to violations under the TRIPS Agreement.

19. As the United States has stated on several occasions, the Panel should not be concerned by the potential overlap between the TRIPS Agreement and the GATT 1994. Indeed, particularly with respect to geographical indications, such overlap is to be expected. Any such overlap, however, does not affect the analysis of discrimination against nationals under the TRIPS Agreement. A measure may be simultaneously covered by several covered agreements – *e.g.*, the TBT Agreement and Article III of the GATT 1994 – without the obligations of each agreement being narrowed thereby.

20. As a final note, it should be no surprise that the GI Regulation is inconsistent with the EC's national treatment obligations under the TRIPS Agreement and the Paris Convention, considering that the GI Regulation itself evidences a specific intention in its preamble to protect EC agricultural production and populations in rural areas in the EC. Further, such a breach of national treatment is entirely consistent with the EC's long-standing public statements – both to the complainants and third parties to this dispute and to the WTO Membership at large – that GI protection would be made available only to those Members with equivalent GI systems and offering reciprocal protection to EC products. In the case of the GI Regulation, the WTO breach established by the Regulation itself is fully supported by and entirely consistent with the protectionist structure of the GI Regulation.

Q104. 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

Response:

21. The United States would like to emphasize as an initial matter that it is beyond dispute that this footnote defines nationals for at least some WTO Members, and that for those Members, it is plain that any discrimination based on where a legal person has a real and effective industrial or commercial establishment is based on nationality. Thus the EC GI Regulation discriminates based on nationality when it explicitly discriminates in favor of EC nationals and against legal persons with a real and effective industrial or commercial establishment in those separate customs territory Members of the WTO.

22. In response to the Panel's question, however, under the customary rules of treaty interpretation "[a] treaty shall be interpreted in good faith in accordance with the ordinary meaning to be given to the terms of the treaty in their context and in the light of its object and purpose".¹⁷ A general interpretation of the phrase "separate customs territory" starts with the ordinary meaning of the word "territory", which indicates that the term refers to a defined geographical area. The word "customs" indicates that the territory in question is defined by reference to a unique customs regime applicable in that territory. The United States notes, as part of the context for interpreting the term, that Article XXIV:2 of the GATT 1994 defines a "customs territory" in similar terms. It states that a "a customs territory shall be understood to mean any territory with respect to which *separate* tariffs or other regulations of commerce are maintained for a substantial part of the trade of such territory with other territories." (Emphasis added).

23. The factor that distinguishes one customs territory from another is the maintenance of "separate tariffs or other regulations of commerce". "Separateness" is, therefore, an intrinsic feature of a "customs territory". As the EC correctly points out, this means that every customs territory is "separate" from every other customs territory. Indeed, most WTO Members are customs territories that are "separate" from the customs territory of most other WTO Members. However, the term as used in footnote 1 of the TRIPS Agreement refers not to "separate customs territories" generally, but to a "separate customs territory Member of the WTO." For this reason, the United States agrees with the EC that the term "separate customs territory Member of the WTO" in footnote 1 of the TRIPS Agreement does not encompass every "customs territory". Indeed, Article XXVI:5 of the GATT 1994 is useful to demonstrate the type of distinction that footnote 1 of the TRIPS Agreement is making. Article XXVI:5 refers to a separate customs territory for which a GATT contracting party has responsibility and has singled out not to be covered by that contracting party's acceptance of the GATT 1994. These separate customs territories would clearly not be a separate customs territory "Member" of the WTO.

24. In footnote 1, the reference to "a separate customs territory *Member* of the WTO" describes a particular *category of WTO Members* and seeks to distinguish this category of WTO Members from some other category of WTO Members. The key to the distinction between the two categories is that WTO Members in the sub-category covered by footnote 1 are all "separate customs territory Members". In identifying the other category of WTO Members from which the Members covered by footnote 1 are distinguished, the United States turns to context. As part of the context, the United States observes that Article XII of the *Marrakesh Agreement Establishing the World Trade Organization* ("Marrakesh Agreement" or "WTO Agreement") lays down rules on accession as a Member of the WTO. The opening clause of Article XII defines which legal entities may become WTO Members. It states:

Any State or separate customs territory possessing full autonomy in the conduct of its external commercial relations and of the other matters provided for in this Agreement and the Multilateral Trade Agreements may accede to this Agreement ...

25. Article XII, therefore, confirms the two categories of WTO Members. First, there are "States". The second category of Members consists of separate customs territories with full autonomy over external commercial relations and of other matters provided for in the Marrakesh Agreement.

26. There is nothing in footnote 1 that suggests that the expression "separate customs territory possessing full autonomy in the conduct of its external commercial relations" should apply solely to only *certain* separate customs territories fulfilling the autonomy requirements, such as territories that form a sub-part of a State. Instead, the text of Article XII covers "any" autonomous separate customs territories, without qualification. Such separate customs territories may, therefore, form a sub-part of

¹⁷ These rules are reflected in Article 31(1) of the Vienna Convention on the Law of Treaties.

a State or comprise some or all of the territory of several States. The issue is simply whether the territory possesses full autonomy in the conduct of its external commercial relations and of the other matters provided for in the Marrakesh Agreement.

27. In that respect, the United States observes that the EC is not a "State"; however, the EC is a "separate customs territory possessing full autonomy in the conduct of its external commercial relations". The United States, therefore, believes that the EC is a "separate customs territory Member of the WTO" rather than a State Member of the WTO for purposes of footnote 1 of the TRIPS Agreement.

28. The United States notes, though, that the EC did not accede to the WTO pursuant to Article XII of the Marrakesh Agreement. Rather, the EC was an original Member of the WTO explicitly covered by Articles XI:1 and XIV of the Agreement. The EC's intention to be an original member was known during the negotiation of the Marrakesh Agreement. Article IX:1 and other provisions of the Marrakesh Agreement recognize that the EC would be a WTO member. Articles XI:1 and XIV do not distinguish between States and separate customs territories, as there was no need for these categories in determining rules for original membership of the WTO. Instead, original membership was reserved for GATT contracting parties. There was only a single exception to this and that was for the European Communities. Thus, in Articles XI:1 and XIV there was no need to describe a class or category to which the EC belonged. Instead, the EC could be identified by name as the sole original WTO Member that was not a GATT contracting party. This does not mean, though, that the EC is not a separate customs territory Member of the WTO.

29. In particular, there is nothing in the text of Articles XI:1, XII, or XIV to suggest that the original WTO Members do not fall within one of the two categories of WTO Member described in Article XII, namely States or fully autonomous separate customs territories. To the contrary, all the original WTO Members fit easily into one or the other group of Members. It would, in any event, be curious to interpret Article XII in such a way that an original WTO Member could not qualify to become a WTO Member.

30. Accordingly, the United States submits that Article XII confirms the interpretation of TRIPS footnote 1 that there are two categories of WTO Member – States and fully autonomous separate customs territories.

31. This interpretation is also confirmed by how footnote 1 is used. Article 1.3 defines "nationals" for the purposes of the TRIPS Agreement. In that provision, "nationals" are defined by reference to the scope of protection afforded under various international conventions on intellectual property. In each of these WIPO-administered conventions, protection is afforded to persons possessing the nationality of a country. Not all WTO Members grant nationality, however; *see, e.g.*, GATS Article XVIII(k)(ii)(1). For that reason, the TRIPS Agreement has to have two definitions of "nationals". The first definition, in the main text of Article 1.3, applies to Members that can confer nationality, as provided for in the list of WIPO-administered conventions, including the Paris Convention. The second definition, in footnote 1, applies to separate customs territory WTO Members that cannot so confer nationality.

32. The EC acknowledges that it cannot grant nationality as it argues that, in its view, EC nationals are nationals of an EC member State. However, as just explained, the TRIPS Agreement provides only two definitions of "nationals". There is no third option for the EC along the lines the EC envisages. The EC must fall within one or other of the definitions applicable to the categories of WTO Member identified in TRIPS Article 1.3 and in Article XII of the WTO Agreement, and it clearly does not fall within the definition reserved for States.

33. The absurd consequence of the EC's view that it is not a separate customs territory for purposes of the TRIPS Agreement, is that the EC has no nationals, and, therefore, has no national treatment obligations. Such an interpretation of the TRIPS Agreement, rendering *inutile* for one WTO Member the fundamental obligation of national treatment, must be rejected, since it is contrary to customary principles of interpretation of public international law.

34. The drafting history confirms the United States' view. First, an "Informal Note by the Secretariat", of 7 December 1992, states that the term "national" in various draft texts "entails a lack of precision, and could engender legal uncertainty, with regard to the legal position of separate customs territories Members of the MTO." A number of proposals were made for resolving these difficulties. Among them was the addition of text to the draft TRIPS Agreement.

35. In the TRIPS Agreement, there was a proposal to amend a footnote that had been proposed in the Brussels draft of the Agreement. That draft included an early version of footnote 1 that applied solely to "Hong Kong". The Secretariat Note proposed extending the footnote generally to "separate customs territory Member[s] of the MTO". Again, the reason for this proposal was to resolve the legal difficulty stemming from the fact that certain Members cannot confer nationality and, therefore, the definition of "national" in Article 1.3 would not apply to them. The final text of footnote 1 is based closely on the proposal in the Secretariat Note.

36. Additional support for this view of the negotiating history comes from Daniel Gervais' commentary on the drafting history. Gervais states that "[a] footnote was added to deal with *customs territories which may be WTO Members without being states*, and hence unable to join WIPO-administered treaties."¹⁸ This statement again identifies the two categories of WTO Membership. The text and context of footnote 1 of the TRIPS Agreement, in light of the object and purpose of the TRIPS Agreement to "reduce distortions and impediments to international trade, ... to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade ..." for all WTO Members (State or non-State),¹⁹ therefore, support the view that footnote 1 applies to the EC, a separate customs territory WTO Member. Moreover, pursuant to Article 32 of the Vienna Convention, the negotiating history confirms this interpretation.

Q105. 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*

Q106. 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

¹⁸ Gervais, *The TRIPS Agreement, Drafting History and Analysis* (Second Edition). Sweet and Maxwell, London, 2003, p. 88. As Gervais notes, post-TRIPS WIPO Treaties allow certain intergovernmental organizations to adhere, but this was not true of the WIPO treaties referenced in Article 1.3 of the TRIPS Agreement with respect to the definition of "nationals".

¹⁹ See first paragraph of the preamble of the TRIPS Agreement.

Q107. 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

Q108. 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(2). How would they affect imported products? How would they provide less favourable treatment to imported products? USA, AUS

Response:

37. The United States does not fully understand this question, as Article 13(1) does not refer to "orders". In addition, the United States understands that the reference to Article 13(2) should be to Article 13(3). The United States assumes that this question refers to any orders, including by EC member State institutions, that may be used to protect registered names as provided in Article 13.

38. With this understanding, products whose names the EC registers under the GI Regulation benefit from numerous competitive advantages that have been detailed in the US submissions, oral statements and answers to questions. These advantages include the ability to be distinguished in the market-place – through an EC-sanctioned mechanism – as products with special characteristics or other qualities attributable to their geographical origin. Those products – and only those products – may also be accompanied by an official EC "symbol" or "logo" informing the consumer that the product is a registered GI.²⁰ As the relevant EC regulation explains

[t]he logo will allow producers of food products to increase awareness of their products among consumers in the European Union... The presence of this logo is a genuine guarantee for all European consumers, making it clear that the special nature of this product lies in its geographical origin. Because of this, products will inspire more confidence. As producers, the logo provides you which [*sic*] a marketing tool. You will be able to put the logo on the labels or packaging of your products, and also use it in your advertising.²¹

39. Further, the registered names of those products are reserved for the use of those registered products, and, indeed, other products will be barred from being accompanied by any name that even evokes the registered name, even if there is no risk of consumers being misled.²² Those products whose names are registered under the GI Regulation are protected in the marketplace against a broad

²⁰ Article 5a of Commission Regulation 2037/93, p. 5. Exhibit COMP-2.a.

²¹ Annex II of Commission Regulation 2037/93. Exhibit COMP-2.a.

²² Article 13(b) of the GI Regulation.

range of competing uses of names or descriptions, which are laid out in Article 13. Consequently, the kinds of orders that might be issued pursuant to Article 13(1), and more particularly by judicial and administrative authorities in EC member States that implement Article 13, would be to prevent all other products from being promoted – or sold accompanied by names or labels – using the names or words that are deemed to fall within the scope of protection offered by Article 13(1).

40. But imported products do not have access to this system of protection on the same terms as EC products. Indeed, as presented by the United States throughout this dispute, the EC GI Regulation erects prohibitive barriers to access to this system of GI protection for non-EC products. Thus, imported products are affected in at least two ways. First, they, unlike their EC-origin "like" counterparts, cannot benefit from the coveted registered GI status, cannot use the official "logos" and cannot benefit from the competitive advantages that the EC GI Regulation bestows on GI products. This amounts to less favorable treatment of imported products compared to their "like" EC counterparts.

41. Second, the imported products are at an affirmative competitive disadvantage *vis-a-vis* their European competition in cases where any name, product description, or descriptive labeling that is an important selling point for the imported product is deemed to fall within the ambit of "protection" afforded to the protected EC product under Article 13(1). Thus, under Article 13(1), an EC member State judicial or administrative body might issue an order that an imported cheese product be stripped of any mention of a recognized descriptive term for that cheese because it is deemed "evocative" of the name of the protected EC cheese. In sum, due to the lack of ability to object to the registration of the EC product's name, and the lack of ability of the imported product to benefit from the protections of registration itself, this situation, too, amounts to less favorable treatment of imported products.

42. The consequence of Article 13(3) of the GI Regulation is to enhance this competitive edge bestowed on products that benefit from GI status. The names used to promote and sell imported products that do not benefit from GI status – names which might communicate a special characteristic of the product – could become generic, meaning that they could become the "common name" for the product, thereby losing their status as a source identifier.²³ Names of products benefitting from GI status cannot lose this status. This also means that an imported product might be blocked from being identified using what would normally be a "generic" description for the product, essentially reserving to the GI product generic terms that accurately describe a product to the consumer. The inability to identify imported goods to consumers by their common name – reserving that name to particular GI products – accords less favorable treatment to those goods.

Q109. 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

Response:

43. The United States is not using the "aim and effects" of the EC measure to determine whether there is less favorable treatment under Article III:4 of the GATT 1994. The less favorable treatment accorded imported products is apparent from the measure itself, and the obligation is fully articulated in Article III:4. However, as the United States has noted throughout this proceeding, the EC itself emphasizes the significant competitive and other advantages being bestowed on persons and products

²³ Article 3(1) of the GI Regulation.

that can benefit from GI protection under the GI Regulation, yet both the EC (in public and private statements to WTO Members) and the Regulation itself make clear that there are substantial – often insurmountable – obstacles to non-EC persons and products benefitting from these competitive and other advantages. Further, the preamble to the Regulation highlights the role of the Regulation in promoting EC products with certain characteristics, which are of "considerable benefit" to the EC rural economy and highlights the importance of the role that production, manufacture and distribution of agricultural products and foodstuffs play in the Community economy. The EC has noted that GI protection for its products and persons are particularly important as agricultural subsidies are phased out. And of course, not a single non-EC-based GI has ever been registered, compared to the over 600 EC-based GIs that have been registered. Taken together, this evidence is a virtual admission by the EC that the EC GI Regulation does not provide the same access to these benefits to non-EC products and nationals as it provides to EC nationals and products. Further, this evidence helps clarify the factual question of the meaning of the various provisions of the EC GI Regulation, and how it operates.

44. In light of this evidence, it should come as little surprise that the EC GI Regulation is in breach of the EC's national treatment obligations under the TRIPS Agreement, the Paris Convention, and the GATT 1994, a legal conclusion that is apparent from the EC GI Regulation itself. More generally, the United States notes that, as the Appellate Body has said, "[t]he broad and fundamental purpose of Article III is to avoid protectionism in the application of internal tax and regulatory measures."²⁴ The Appellate Body has also noted that Article III:1, in which the Members recognize that internal regulations and requirements such as those at issue here "should not be applied to imported or domestic products so as to afford protection to domestic production" informs and provides part of the context of all of Article III.

Q110. 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

Q111. 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

Q112. 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

Response:

45. It appears that the Commission is so obliged. Article 12(3) of the GI Regulation requires the Commission, upon request, to examine whether a third country satisfies the conditions set out in Article 12(1), *i.e.*, "[t]he Commission *shall* examine..." Where those conditions are satisfied, it appears that the Commission would have to make an affirmative decision to that effect, and that, following that decision, the registration procedures set out in Article 12a "shall apply."

*Q113. 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*

²⁴ Appellate Body Report, *Japan – Alcohol*, p. 16.

Q114. 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*

Q115. 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

Q116. 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*

Q117. 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

Q118. 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

Response:

46. There is nothing in Article 6(6) that would permit the Commission to import the requirement of Article 12(2) into Article 6(6). In Article 6(6), the requirement is that the use of registered homonymous name "be subject to there being a clear distinction in practice between the homonym registered subsequently and the name already on the register", subject to certain equitable requirements. Consequently, the proposed use of an EC-based homonym that gives rise to such a "clear distinction in practice" – and does so without using an indication of country of origin – would have to be registered. By contrast, a non-EC-based homonym that similarly gives rise to a "clear distinction in practice" without using an indication of country of origin, would, nevertheless, under Article 12(2), have to be accompanied by a country of origin.

Q119. 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

Q120. 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

Response:

47. The requirement of Article 12(2) that GIs for imported products, but not for domestic products, must be accompanied by a clear and visible indication of country of origin on the label is not simply a labeling cost issue. This requirement provides less favorable treatment to non-EC nationals and products in part because the non-EC GI, unlike the EC GI, is being burdened by an additional labeling requirement that is in the nature of a qualifier that detracts from the value of the GI – that is, in the case of two homonymous GIs, the EC-based GI will be known purely by that GI, while the non-EC product's homonymous GI will be qualified by a country of origin, implying that it is something other than the "true" GI. Whether the imported products have to be "relabelled" or not would, of course, depend on how the products were first labeled. The fact remains that this requirement constitutes an additional burden on foreign products and foreign GI holders that is not faced by EC products and GI holders. The United States does not believe that existing marks of origin requirements in the EC would satisfy this requirement. "Clearly and visibly indicated" means, in the US view, that the consumer is made aware that this GI has a stature that is different from EC-based GIs.

Q121. 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

Q122. 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**

Q123. 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, US**

Response:

48. Article 12(2) of the GI Regulation is not a general country of origin marking requirement: it is a specific labeling requirement imposed with respect to geographical indications which, as discussed above in response to question 120, burdens non-EC GIs to the disadvantage of non-EC products and persons. This requirement is above and beyond any other general country of origin marking requirement that may apply to all agricultural products and foodstuffs, and the EC has not argued that the requirements of Article 12(2) are met through any general country of origin marking requirements. Contrary to the EC's claims, there is nothing in Article IX of the GATT 1994 that exempts such a requirement imposed with respect to GIs from national treatment obligations under Article III of the GATT 1994.

Q124. 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**

Response:

49. In this dispute, the United States is not challenging any EC general mark or label of origin requirements. Presumably the EC general mark or label of origin requirements would already apply separately to the types of products that may bear geographical indications, and the application of these requirements would be independent of the geographical indication. As a result, this dispute does not present the systemic questions posed in the Panel's question and the United States is not seeking that the Panel make findings with regard to this area. Rather, this dispute involves a specific requirement imposed on imported products in connection with the use of geographical indications. The specific requirement is an additional requirement for non-EC products to be able to use a geographical indication that does not apply to EC products. The additional requirement is all the more confusing since geographical indications by their very nature concern indicating the particular geographical origin of products. The EC requirements for labeling geographic indications are mandatory labeling requirements that come within the scope of the TBT Agreement.

Q125. 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

Q126. 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*

Q127. 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

Q128. 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

Response:

50. The starting point with respect to regulatory requirements for products in the goods area is generally that the imported product must undergo the same procedures to determine compliance with regulatory requirements in the importing country as do the domestic products of the importing country. Normally this will mean that the imported product will be inspected in the importing country. However, Article 6 of the TBT Agreement provides for the acceptance of the results of conformity assessment procedures in other countries. In keeping with Article 6, the importing country may, as the Panel suggests, accept the results of conformity assessment procedures conducted in the exporting country, and for this purpose may designate conformity assessment bodies in the territory of the exporting country, enter into mutual recognition agreements, or permit conformity assessment bodies in another Member to participate in their own conformity assessment procedures.

51. The EC GI Regulation, by contrast, does not make its inspection process available to imported products at all. This presents an immediate national treatment problem. And it does not compensate for this deficiency by designating bodies in the territory of the exporting country that can determine compliance with the EC's requirements. The requirements of the EC GI Regulation are, therefore, very different from those that are not uncommon in the goods area, and favor domestic products over foreign products.

52. In addition, there is a significant difference between imposing requirements on persons hoping to have their GIs registered and protected in the EC, on the one hand, and imposing requirements – including particular domestic inspection structures – on their sovereign governments, on the other. The former situation is anticipated with respect to the protection of intellectual property rights, which, as the TRIPS Agreement explicitly recognizes, are private rights. The United States has noted that both it and the EC, for instance, require that collective mark owners satisfy certain requirements in order to register their marks. The imposition of requirements on rightholders is also reflected in the nature of the national treatment and MFN obligations in the TRIPS Agreement and the Paris Convention, which require no less favorable treatment of *nationals* with regard to the protection of intellectual property rights, and not no less favorable treatment of *WTO Members*.

53. By contrast, imposing a requirement on sovereign *WTO Members* to put in place certain inspection structures dictated by the EC as a condition for their *nationals* to obtain protection for their GIs in the EC accords less favorable treatment to those nationals than to EC nationals. EC nationals have the direct means, provided under the GI Regulation itself, in light of the already established infrastructure of the European Union, to register and protect their GIs. Non-EC nationals do not, and can only achieve those means if their governments decide to adopt the EC-style inspection structures.²⁵

54. Therefore, it also cannot be said, as between two systems:

- (a) one in which the rightholder is itself in a position to satisfy the requirements of the GI Regulation directly; and
- (b) one in which the US government is required to put in place certain inspection structures, approve inspection bodies within that structure, and have the inspection bodies be responsible to the US government for those inspections – all of which must satisfy the EC's idea of an appropriate inspection structure, as set out in Article 10 of the EC GI Regulation;

that the *latter* system affords the US government more "flexibility" than the former.

55. The same considerations apply with respect to the obligations under Article III of the GATT 1994, for the reasons elaborated in the US submissions and oral statements. If a WTO Member does

²⁵ It is worth recalling once again that while the EC attempts to label the requirement that foreign sovereign countries establish EC-like inspection structures as a "product-specific requirement", this is inaccurate. The EC's requirement has nothing to do with the product and whether a particular product meets the EC substantive criteria for GI status. Instead, an inspection structure must be established by a foreign government if any product from that country is to be protected in the EC under the GI Regulation. This is a requirement of all products seeking protection in the EC. The EC attempts to confuse the distinction between a substantive product-specific requirement (*e.g.*, that an indication identify a good originating in a territory where a given quality, reputation or other characteristic is attributable to that territory) and this overarching procedural requirement by claiming that different inspection bodies might be used to determine compliance of different products with these product-specific requirements. It should be clear to all, however, that these inspection bodies are not the inspection structures themselves (rather, they make up a part of a structure), nor are the bodies a part of the product-specific requirements (rather, they merely determine whether such requirements are met).

not or cannot establish the EC-dictated inspection structures under Article 10 of the GI Regulation, a product from that WTO Member that has all the necessary product-specific characteristics attributable to origin required by the EC GI Regulation will nevertheless *not* be accorded GI status, while its corresponding EC "like" product *will* be accorded that status. This constitutes less favorable treatment of like products.

56. Two other points are worth noting. First, the EC is not allowing the US and Australian governments themselves to designate the bodies that may participate in the inspection process. This would be a different case if the EC imposed requirements on the rightholder, but then "allowed" the United States under the Regulation to facilitate the rightholder's ability to satisfy those requirements. But the GI Regulation does not "allow" the United States to do so; it requires that the United States establish certain inspection structures, to approve inspection bodies under that structure, and to remain responsible for those inspection bodies; and all of these structures and bodies must conform to the EC's idea of what a good inspection structure is, as required by Article 10 of the EC GI Regulation.

57. Second, the EC is not permitting the United States to make its own determination as to the sufficiency of the inspection structures and the inspection bodies instead of the EC doing so. Setting aside the question of whether the United States' participation is optional (it is not), the EC is in no sense shifting the ability to designate appropriate inspection bodies from the EC to the United States. Although the EC GI Regulation requires the United States Government to establish the EC's inspection structures and to designate inspection bodies that satisfy the EC's requirements, this is only the threshold requirement for presenting an application under Article 12a of the GI Regulation. The EC then, under Article 12b of the Regulation, makes its own determination as to whether the request "contains all of the necessary elements".

58. In other words, having forced other sovereign WTO Members to themselves meet the requirements of the Article 10 inspection structures, the EC reserves to itself the power to decide that those inspection structures, including any inspection bodies approved by the WTO Member, are inadequate. The EC is in no sense, therefore, "allowing the US and Australian governments themselves to designate the bodies that may participate in the inspection process". By retaining ultimate authority to approve or reject another sovereign country's decisions, it is clear the EC is not providing flexibility, but is instead unilaterally attempting to subordinate sovereign countries to its authority with respect to GI protection. While the EC is able to do this with respect to the EC member States, it has no basis for doing this with other sovereign countries of the world. In this connection, the United States wonders if the EC would accept if the United States required the EC to adopt a particular inspection structure in order to have its GIs protected in the United States. An approach of "dueling inspection requirements" could very quickly cause any system for GIs to break down.

59. The United States refers to its oral statements at the second meeting and to its first and second submissions for further details concerning why requiring that other WTO Members establish particular inspection structures is not appropriate and is in no sense "necessary".

Q129. 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

Response:

60. Requiring that WTO Members establish particular inspection structures, approve inspection bodies, remain responsible for those bodies, and satisfy all of the requirements for those bodies and structures as set forth in Article 10 of the GI Regulation – all as a precondition for nationals to protect

their GIs in the EC and for non-EC products to benefit from GI status – results in less favorable treatment for non-EC nationals and non-EC products.

61. It does not matter, from the perspective of the national treatment obligation, whether some countries may have EC-compliant inspection structures in place. The fact that some nationals and products may have overcome the significant extra barriers to entry put in place by the EC does not mean that those significant extra barriers no longer constitute "less favorable treatment" of non-EC nationals compared to EC nationals. Further, the fact that some countries can meet the EC's requirements means that their nationals and products are being granted advantages, favors, privileges, and immunities that are not being accorded to nationals and products of all WTO Members, which is a breach of MFN obligations.

Q130. Other than governmental involvement in the inspection structures, what aspects of the inspection structures do the US and Australia find problematic? USA, AUS

Response:

62. Because of the nature of the obligation in Article 10 for inspection structures, it is not possible to separate the requirement that the government establish particular inspection systems from other aspects of the inspection systems. As the United States has said, however, it is appropriate for the EC to require assurances with respect to the integrity of the geographical indication, and both the EC and the US, among other WTO Members, have such requirements, for instance, with respect to collective marks.

Q131. 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

Q132. 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

Q133. 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

Q134. 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

Q135. 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*

Q136. 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?*
- (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*

Q137. 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

Response:

63. Before addressing this question, the United States would like to emphasize that the issue identified by the Panel in the question is only one aspect of the inability of 14(3) of the GI Regulation to substitute for the exclusive rights required by Article 16.1 of the TRIPS Agreement. As the Panel notes, the United States indeed disagrees that Article 14(3) allows the EC authorities to refuse or invalidate the registration of any confusing GIs.²⁶ But even if Article 14(3) does so allow, it still does not satisfy the requirements of TRIPS Article 16.1. While Article 16.1 grants *trademark owners* the right to prevent confusing *uses* of identical or similar GIs, Article 14(3) merely empowers *the EC authorities* to deny *registration* of GIs in some circumstances.²⁷

64. The Panel asks whether three registered GIs "could ... be used in accordance with their registrations in a way that results in a likelihood of confusion with the respective trademarks." The short answer to the Panel's question is "yes." However, as the United States has emphasized in this dispute, neither the EC nor the owners of the trademarks cited by the Panel will necessarily know from a GI registration alone to what uses the GI will be put or whether those uses will result in a likelihood of confusion with a trademark. That question depends on what uses an individual GI rightholder employs, and the perceptions of consumers in a given territory with respect to those uses.

²⁶ See US Oral Statement at First Meeting, paras. 52-53; US Second Written Submission, paras. 142-166; US Opening Oral Statement at Second Meeting, paras. 84-86; US Closing Statement at Second Meeting, para. 19.

²⁷ See US Oral Statement at First Meeting, paras. 54-55; US Responses to Questions, para. 87; US Second Written Submission, paras. 130-141; US Opening Oral Statement at Second Meeting, paras. 77-83; US Closing Statement at Second Meeting, paras. 17-18.

65. First, the EC has asserted that the registered name can only be used in accordance with the "specific labelling details" included in a product specification.²⁸ The United States does not have access to the product specifications for any of the three GIs cited by the Panel. In fact, despite repeated requests to the EC,²⁹ the United States has not been given a copy of the product specification for the GI included in item (b) to the Panel's question. (In any event, as the United States has demonstrated,³⁰ the "specific labelling details" included in product specifications do not necessarily offer much guidance regarding limits on uses of the GI.)

66. Second, the EC has clarified that registration of a GI gives an owner the right to use the GI in a "trademark-like manner."³¹ In and of itself, nothing in the TRIPS Agreement prevents such a use. The United States has no objection to the use of a GI in a trademark-like fashion, featured prominently on a label, because GIs are valuable source identifiers and quality indicators – like trademarks. However, the TRIPS Agreement does not allow a GI to be used in a trademark-like fashion if prior valid trademark rights exist in that territory and consumers would likely be confused with respect to those trademarks. Further, the fact that a GI registration gives the owner the right to use the GI in a trademark-like fashion highlights that the scope of permitted uses is not as simply characterized as, in the EC's words, "use [of] the name registered as a geographical indication."³² Indeed, to the contrary, it raises the specter of GIs being used in a way that could raise a likelihood of confusion with a trademark. The EC stated in its oral statement at the second meeting, at paragraph 184, that:

EC consumers are familiar with the use of geographical indications for foodstuffs. They value them as much as trademarks when making their purchasing decisions, if not more, and expect them to be used in what the United States calls "trademark-like" fashion.

67. In this connection, the United States points out that the EC itself explains the trademark owner's possible rights in very qualified terms: "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 under Regulation 2081/92."³³ The "possibility" that a trademark owner may be able to show that the use is not "protected" by the EC GI Regulation is a far cry from his ability to prevent all confusing uses of similar signs, whether or not "protected", which is what Article 16.1 of the TRIPS Agreement requires.

68. Third, it appears that the registration of a term under the EC GI Regulation gives the rightholder a positive right to use that term as translated into other EC languages, and the EC has not provided any information or arguments to the contrary.³⁴ For example, as the United States has already noted,³⁵ in trademark infringement proceedings pending before the Swedish courts, a Czech brewer has argued that registration grants the right to use the registered GIs "Budejovické pivo,"

²⁸ EC Second Written Submission, para. 300.

²⁹ See US Responses to Questions, para. 68.

³⁰ US Opening Oral Statement at Second Meeting, para. 78, and Exhibit US-77.

³¹ EC Oral Statement at Second Meeting, para. 184.

³² EC Second Written Submission, para. 301.

³³ EC Second Written Submission, para. 302.

³⁴ The EC has stated that a GI registration "covers only the term ... and not its translations to other languages." EC Second Written Submission, paras. 288, 293. Separately, the EC has stated that "the right holders of a geographical indication have a positive right to use the name registered as a geographical indication," and that "that right does not extend to other names or signs which have ... not been registered." EC Second Written Submission, para. 301. However, the EC has not joined these two concepts, and does not definitively state that the "positive right to use the name registered" excludes the right to use the name as it is translated (accurately, of course) into other EC languages.

³⁵ US Second Written Submission, para. 134.

"Ceskobudejovické pivo," and "Budejovický mešt'anský var" in alleged translation, including as "Budweiser Budvar," "Budweis," and "Budbräu."³⁶ Similarly, the United States has noted that the root of the registered GI "Bayerisches Bier," when translated into English, is "Bavaria."³⁷ In some EC member States in which the name BUDWEISER, BUD or BAVARIA are registered as a prior valid trademark, use of the registered GIs as so translated might confuse consumers, and the trademark owners would need their TRIPS Article 16.1 rights to prevent those uses. Notably, in allowing the registration of "Bayerisches Bier" the Commission did not state that the GI could not be used in translation, which would have been an obvious response to the concern that use of the GI could result in confusion with the "Bavaria" trademark.

69. Fourth, whether the use of a registered GI results in a likelihood of confusion in the country in which an identical or similar trademark is registered will depend on the perceptions and response of consumers in that country. In some countries, consumer surveys could show that particular uses of the GIs listed in the Panel's question are confusing with respect to the trademarks listed in the Panel's question. Under Article 16.1, rather than seeking rejection or cancellation of a GI registration on an EC-wide basis, the owner of an identical or similar prior valid trademark registered in an EC member State is entitled to prevent particular "uses" of the GI that confuse consumers in that member State. In such a situation, rejection or cancellation of the GI registration on an EC-wide basis – the only option even arguably available under Article 14(3) – may be neither appropriate nor necessary.³⁸ Of course, rejection or cancellation of GIs that are *prime facie* confusing is also appropriate: the point is that rejection or cancellation of a GI registration cannot be the only option open to trademark owners, since Article 16.1 offers trademark owners the right to prevent confusing "uses" of identical or similar signs.

70. The United States notes two examples in which actual likelihood of confusion has been found between terms similar to those included in item (b) of the Panel's question. First, a South African court confirmed the decision of the Tribunal of the Registrar of Trademarks to refuse the registration of trademark applications for BUDEJOVICKÝ BUDVAR, following opposition brought by the owners of prior trademarks BUDWEISER and BUD. The decision explains that the average South African consumer would tend to abbreviate BUDEJOVICKÝ BUDVAR to the first syllable, BUD, since the whole mark is difficult to pronounce. At the same time, the decision held that BUDWEISER is often shortened to BUD. Consequently, the decision acknowledged a likelihood of confusion between BUDEJOVICKÝ BUDVAR and prior trademarks BUDWEISER and BUD.³⁹ Similarly, in Italy, in a decision that pre-dated the Czech Protocol of Accession to the EU and the registration of the GI listed in item (b) of the Panel's question, the Italian distributors of the defendant involved in the South Africa case was enjoined from using any designation with the words

³⁶ See Exhibit US-53 (paras. 4-6, Section 3.2). The United States reiterates that the GI included in item (b) of the Panel's question was registered via the Czech accession protocol to the EU. Validity of the registration was and is not subject to challenge based on Article 14(3) of the EC GI Regulation (even under the EC's reading of that provision). Even if the Panel accepts the EC's reading of Article 14(3), the provision does not serve as a substitute for TRIPS Article 16.1 rights with respect to GIs registered pursuant to accession protocols. See US Closing Statement at Second Meeting, para. 18.

³⁷ US Second Written Submission, para. 134.

³⁸ The United States also notes that the ability of a trademark owner to challenge a registration on the basis of Article 14(3) is extremely limited, and in many cases – such as for GIs registered pursuant to accession treaties or for "directly and individually concerned" trademark owners outside of the 2-month time period following registration of the GI – does not exist at all. See US Second Written Submission, paras. 138-140; US Opening Oral Statement at Second Meeting, para. 83; US Closing Statement at Second Meeting, para. 18.

³⁹ Judgment of the High Court of South Africa, Case No. A9/03, *Budweiser Budvar National Corporation v Anheuser-Busch Corporation*, 3 December 2003. Exhibit US-81. See also Decision of the Tribunal of the Registrar of Trademarks of South Africa, Case No. 96/17026-29, *Budweiser Budvar National Corporation v Anheuser-Busch Corporation*, 22 October 2002. Exhibit US-82.

"Budweiser" or "Bud", because of rights associated with the complainant's two prior trademarks, BUDWEISER and BUD.⁴⁰

71. In sum, the United States submits that there are myriad ways in which registered GIs can be used in a manner that raises a likelihood of confusion with a registered trademark, and that those uses will not necessarily be apparent from the registration itself.

Q138. 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

Q139. 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

Q140. 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

Q141. 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

Q142. 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*

Q143. 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

⁴⁰ Order of the Court of Milan, First Civil Division, Docket No. 464/02. Exhibit US-83. The defendant's distributor consequently turned to the use of CZECHVAR in Italy.

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**

Q144. 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**

Q145. 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**

Response:

72. The United States agrees with the proposition that Article 24.5 is an exception to the provisions of Part II, Section 3 of the TRIPS Agreement. As such, Article 24.5 preserves certain trademark rights *vis-à-vis* geographical indications. The two "suggestions" appear to be consistent with this understanding.⁴¹

73. With respect to suggestion (a), it appears that the reference in Article 24.5 to the "eligibility for or the validity of the registration of a trademark" logically includes an exception to the obligations under Articles 22.3 and 23.2 to invalidate or refuse registration of certain trademarks. Indeed, Articles 22.3 and 23.2 are the only provisions of the GI section that speak directly to refusal of registration or invalidation of trademarks.⁴² Suggestion (a) demonstrates that Article 24.5 has no effect on the exclusive rights granted to valid trademarks (because Articles 22.3 and 23.2 likewise have no effect on the exclusive rights granted to *valid* trademarks) and is therefore fully consistent with the US views in this dispute.

74. In addition, however, as argued previously by the United States, the prohibition on "prejudic[ing] eligibility for or the validity of the registration of a trademark" is not limited to situations where the choice is simply between registration, on the one hand, and total loss (or absence) of registration, on the other. Otherwise, the word "prejudice" would not be given meaning. In fact, the inclusion of the word "prejudice" suggests that the phrase "prejudice eligibility for or the validity

⁴¹ The United States notes that even if this interpretation of Article 24.5 would seem to protect trademarks that are misleading as to geographic origin, this effect is mitigated by certain limitations in Article 24.5. For instance, there is a requirement that trademarks subject to the Article 24.5 exception must be applied for, registered, or acquired through use "in good faith." Further, the exception in Article 24.5 prohibits prejudicing certain trademarks "on the basis that such a trademark is identical with, or similar to, a geographical indication". For purposes of this dispute, in any event, the United States' arguments are directed at those TRIPS Article 16.1 rights associated with valid trademarks, and not with the effect of Regulation 2081/92 on trademarks that are misleading as to geographic origin. See US First Written Submission, para. 135 ("The United States is not arguing that trademarks that 'mislead the public as to the true place of origin' of the underlying goods in a given territory must be registered and provided Article 16.1 rights in that territory.").

⁴² However, the United States is not able to conclude that Article 24.5 is "merely" or "only" an exception to these Articles, as the text of Article 24.5 refers to measures adopted to implement the GI section, and not only to specific articles.

of the registration of a trademark" protects trademarks against something more than immediate invalidation or refusal. As previously explained by the United States, this phrase further emphasizes that owners of trademarks covered by Article 24.5 are accorded the Article 16.1 right to prevent all others from confusing uses, given that the legal authority accorded by trademark registration is defined by Article 16.1, and that denial of the right to prevent all confusing uses could diminish the ability of the trademark owner to distinguish his goods, within the meaning of Article 15.1.⁴³ The importance of the word "prejudice" is further confirmed by the fact that it was specifically added by the drafters after the Brussels draft.⁴⁴ Thus, while the United States agrees that "prejudice eligibility for or the validity of the registration of a trademark" provides an exception to the obligations under Articles 22.3 and 23.2, it may also protect trademarks within its scope from implementation of the GI section that would diminish a trademark owner's Article 16.1 rights.

75. Similarly, as for suggestion (b), the United States agrees that the phrase "shall not prejudice ... the right to use a trademark" in Article 24.5 creates an exception to the obligations in the GI section, including those in Articles 22.2 and 23.1 to prevent certain uses, and does not create any positive rights. Again, suggestion (b) also demonstrates that Article 24.5 has no effect on the exclusive rights granted to valid trademarks (because Articles 22.2 and 23.1 likewise have no effect on the exclusive rights granted to valid trademarks), and is fully consistent with the US views in this dispute.

76. But, given that the core use and value of a trademark comes from the Article 16.1 exclusive right to prevent all others from confusing uses, the United States has explained that this phrase also provides an exception to any implementation of the GI section that diminishes Article 16.1 protection for the covered trademarks.⁴⁵ This follows from the ordinary meaning of "prejudice ... the right to use a trademark", which refers to the harm or damage to the permitted or forbidden activity associated with the application of a trademark to its purpose.⁴⁶ Based on the context of Articles 15.1 and 16.1 of the TRIPS Agreement, this purpose is to allow a trademark's owner to distinguish his goods from the goods of all others, which requires that trademark registrations accord their owners the right to prevent all others from uses that would cause a likelihood of confusion.⁴⁷

77. Significantly, these suggested readings of Article 24.5 contradict the EC's position that, by negative implication, Article 24.5 gives permission to Members to strip covered trademarks of their Article 16.1 rights.⁴⁸

Q146. The Panel takes note of the respective views of the EC and US on simultaneous exercise of rights with respect to use (EC rebuttal, para. 309 and US rebuttal, para. 119). Without prejudice to the EC's views on Article 24.5, would there be any practical conflict between the rights to prevent certain uses conferred under Articles 16.1 and 22.2 of TRIPS? Under what circumstances is it impossible for, simultaneously:

⁴³ US Second Written Submission, paras. 173-174.

⁴⁴ See US Responses to Panel Questions, paras. 99, 104; US Oral Statement at First Meeting, paras. 64-65.

⁴⁵ See US Second Written Submission, para. 176.

⁴⁶ US Second Written Submission, para. 176.

⁴⁷ *Id.*

⁴⁸ See, e.g., the EC summation of its Article 24.5 argument in its oral statement at paragraph 199:

If the drafters deemed necessary to specify in Article 24.5 that the implementation of protection for geographical indications shall not prejudice the most basic right of the owner of a registered trademark ("the right to use it"), but not the right to exclude others from using it, *the clear implication* is that they did not intend to prevent Members from limiting the exercise of the latter right in order to allow the use of a geographical indication in co-existence with a grandfathered trademark. (Emphasis added.)

- (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*

Response:

78. The EC posits that there is a "conflict" between TRIPS Articles 16.1 and 22.2 because "[t]he simultaneous exercise" of a trademark that is misleading with respect to origin, and an identical or similar GI that raises a likelihood of confusion with respect to the trademark, "would lead to a situation where neither the trademark owner nor the right holders of the geographical indication could use the sign in question."⁴⁹

79. This is incorrect. As the United States has already noted,⁵⁰ the EC is confusing a "conflict" that may indeed occur between an individual trademark and an individual GI, and a "conflict" that does not in any way occur between the *obligations placed on the EC* by Articles 16.1 and 22. As the United States explained, it is in no way "impossible" for the EC to "simultaneous[ly] compl[y]" with the obligations in Articles 16.1 and 22;⁵¹ there is, therefore, no "conflict" between those obligations.

80. The Panel's question appears to be directed at the situation presented by a "conflict" between an individual trademark and an individual GI. The TRIPS Agreement sets out rules specifying the way in which this "conflict" would be resolved. As the United States has explained,⁵² if a trademark misleads consumers as to the origin of goods, as the Panel posits in part (b) of its question, the TRIPS Agreement and the Paris Convention provide that it should not be registered.⁵³ The trademark will not, therefore, be accorded the right to prevent the confusing uses of a similar or identical GI, as the Panel posits in part (a) of its question, since it will not be registered. As the United States has also explained,⁵⁴ if such a trademark is nonetheless registered, it is subject to invalidation.⁵⁵ In other words, the facts envisioned by the Panel in part (b) of its question would serve as a defense to the infringement claim brought by the trademark owner in part (a) of the question.

81. How a conflict between particular rightholders is resolved will depend on the particular facts of the case and on the application of municipal law in the WTO Member in which the case is brought. In the view of the United States, given the different standards for trademark rights and GI rights, it is unlikely that there would be an irresolvable conflict between those two rightholders. But this Panel is not called upon to resolve all such disputes prospectively in this proceeding. That is a matter for the decision-makers in the WTO Member before which the particular dispute is brought. What is important here is that the municipal law in that WTO Member is consistent with that Member's TRIPS obligations. Those obligations include providing Article 16.1 TRIPS Agreement rights to trademark

⁴⁹ EC Second Written Submission, para. 309.

⁵⁰ US Opening Oral Statement at Second Meeting, paras. 71-72.

⁵¹ See Panel Report, *Turkey – Textiles*, para. 9.92. See also Panel Report, *Indonesia – Autos*, para. 14.28.

⁵² US Oral Statement at First Meeting, para. 42; US Second Written Submission, para. 120.

⁵³ TRIPS Articles 22.3, 15.1, and 15.2; Paris Convention Articles 9, 10, 10*bis* and 6*quinquies*B.

⁵⁴ See US First Written Submission, para. 135; US Oral Statement at First Meeting, para. 42; US Responses to Questions, para. 114; US Second Written Submission, paras. 119-121; US Opening Oral Statement at Second Meeting, para. 71.

⁵⁵ TRIPS Articles 22.3, 15.1 and 15.2; Paris Convention Articles 9, 10, 10*bis*, and 6*quinquies*B.

owners in situations encompassed by the EC GI Regulation, where signs used as a GI result in a likelihood of confusion with a pre-existing trademark.

Q147. 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

Response:

82. As an initial matter, the United States recalls that Article 24.5 should be interpreted in good faith in accordance with the ordinary meaning of its terms, in their context and in the light of the object and purpose of the TRIPS Agreement. Customary rules of interpretation provide a very limited role for negotiating history, and for good reason. For example, in the case of the TRIPS Agreement, as the Panel is undoubtedly aware, there is no comprehensive, official negotiating history. There were numerous discussions, drafts, and memoranda between and among various WTO Members, both before and after the Brussels Ministerial in late 1990, many unrecorded or for which there are no agreed minutes or official documents. Accordingly, many would not fairly be considered useful as "negotiating history." Nevertheless, the evolution of the drafts does suggest that there were two opposing views about whether what is currently Article 24.5 should allow Members, at their discretion, to protect certain trademarks vis-à-vis geographical indications or should require Members to protect those trademarks. As the United States has explained, the evolution of Article 24.5 revealed a progression in favor of stronger and clearer protection for covered trademarks. In addition to the change from a permissive to a mandatory provision, the United States has also explained that, as negotiations progressed, the term "prejudice" was introduced, and the specific mention of the "right to use" a trademark was also integrated.⁵⁶ All of these modifications served to increase the protection accorded to trademarks pursuant to Article 24.5.

83. It follows that the negotiating history confirms the interpretation that Article 24.5 does not diminish the rights accorded trademarks, as the EC alleges, but that it instead provides a shield for covered trademarks that would otherwise be affected by implementation of the GI section. This history provides no support for the EC's argument that Article 24.5, by negative implication, authorizes Members to strip covered trademarks of their Article 16.1 rights.⁵⁷

84. In addition, the predecessor to Article 24.5 in the Brussels draft stated that "A Party *shall not* take action to refuse or invalidate [covered trademarks.]"⁵⁸ This provision, however, was entirely in brackets, indicating a lack of agreement with respect to that obligation, which provided for mandatory protection of covered trademarks. What emerged from the discussions among the Members subsequent to the Brussels Ministerial was a text that retained the mandatory nature of the protection

⁵⁶ See US Responses to Panel Question 76, paras. 102-105.

⁵⁷ See, e.g., the EC summation of its Article 24.5 argument in its oral statement at the second Panel meeting, at paragraph 199:

If the drafters deemed necessary to specify in Article 24.5 that the implementation of protection for geographical indications shall not prejudice the most basic right of the owner of a registered trademark ("the right to use it"), but not the right to exclude others from using it, *the clear implication* is that they did not intend to prevent Members from limiting the exercise of the latter right in order to allow the use of a geographical indication in co-existence with a grandfathered trademark. (Emphasis added.)

⁵⁸ See Gervais, *The TRIPS Agreement, Drafting History and Analysis* (Second Edition). Sweet and Maxwell, London, 2003, p. 133 (emphasis added).

of covered trademarks, but instead of the broad formulation – "A Party shall not" – the final text states that "measures adopted to implement [the GI] Section shall not prejudice ...", clarifying that this obligation was directed, not at any and all measures of a Party, but at those adopted to implement the GI Section of the TRIPS Agreement. Thus, the suggestion that the final language resolved a difference among the Members as to the mandatory or discretionary nature of the obligation in Article 24.5 is not inconsistent with how Article 24.5 appears to have evolved.

Q148. 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*

Response:

- (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?*

85. The ordinary meaning of the term "confusion," from Article 16.1, includes "failure to distinguish."⁵⁹ The ordinary meaning of "likelihood" includes "that looks as if it would happen, be realized or prove to be what is alleged or suggested; probable; to be reasonably expected."⁶⁰ Thus, under the ordinary meaning of Article 16.1, a "likelihood of confusion" arises where it is reasonably expected that a trademark owner will no longer be able to distinguish his goods from identical or similar goods labeled with an identical or similar sign.

86. To further inform this interpretation, the United States discusses the factors commonly used in EC law and member State jurisprudence to assess likelihood of confusion, in response to question 148(c), below. As the Panel is aware, the "likelihood of confusion" standard was applied by countries in national law well in advance of the negotiation and conclusion of the TRIPS Agreement.

87. The United States is not aware of any judicial interpretation of the "liable to mislead" standard in Article 14(3). Article 14(3) has been applied by the EC administering authorities only once. In that case, the Council simply determined that "[i]n view of the facts and information available, it was ... considered that registration of the name 'Bayerisches Bier' was not liable to mislead the consumer as to the true identity of the product."⁶¹ The Council's decision offers no insights into the factual elements informing its application of the "liable to mislead" standard in Article 14(3).

⁵⁹ *New Shorter Oxford English Dictionary* (Fourth Ed. 1993), pg. 478. Exhibit US-84.

⁶⁰ *New Shorter Oxford English Dictionary* (Fourth Ed. 1993), pg. 1588. Exhibit US-84.

⁶¹ Council Regulation (EC) No 1347/2001, para. 3. Exhibit EC-9.

88. EC trademark law suggests that the "likelihood of confusion" standard is different from the "liable to mislead" standard. The EC Trademark Regulation and Trademark Directive differentiate between the two standards. Article 50.1(c) of the Trademark Regulation and Article 12.2(b) of the Trademark Directive provide for revocation of a trademark where it is "liable to mislead the public, particularly as to ... geographical origin ..." ⁶² In contrast, Article 9.1(b) of the Trademark Regulation and Article 5.1(b) of the Trademark Directive grant trademark owners 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." ⁶³ Accepting that "liable to mislead" in Article 14(3) actually means "likelihood of confusion" would require the Panel to overlook the objective fact that those standards are expressly differentiated in EC trademark law. In addition, as discussed further below in response to question 149, use of the term "mislead" in the GI Regulation itself indicates that that term has a different meaning from "confusion" in the sense of Article 16.1.

(b) as of what time should the likelihood of confusion, and the liability to mislead the consumer, be assessed?

89. Likelihood of confusion should be assessed at the time the allegedly confusing use arises. Article 16.1 enables a trademark owner to prevent particular "uses" that are confusing. As a matter of context, therefore, whether likelihood of confusion arises should be based on consumers' perceptions and response at the time the allegedly confusing use arises. While the United States does not object to the opportunity to assess whether a GI, at the time of application for registration, likely confuses consumers within a country in which the trademark is registered, TRIPS Article 16.1 requires that the trademark owner also be permitted to prevent consumer confusion that arises because of and at the time of particular uses of the GI.

90. Article 14(3) of the EC GI Regulation is relevant to the EC authorities' decision to register a GI. Thus, it appears to the United States that the determination whether a GI is misleading with respect to a trademark that enjoys reputation, renown and length of use would be made at the time of application to register the GI. In the "Bayerisches Bier" case – the only time Article 14(3) has been applied – the determination that the GI was not misleading with respect to prior valid registered trademarks was evidently made by the Council at the time of application for registration of the GI.

(c) are the trademark's reputation and renown and the length of time it has been used necessarily relevant to both analyses?

91. In this dispute, the EC asserts that the references to reputation, renown and use are included in Article 14(3) merely because they are factors used to judge whether a GI raises a likelihood of confusion with respect to a prior registered trademark. The EC notes that in EC and other Members' laws, reputation, renown and length of use are relevant to the determination of likelihood of confusion. ⁶⁴ While reputation, renown and length of use might indeed be considered to determine whether a likelihood of confusion arises in certain cases, these factors are often, in many other cases, irrelevant to whether there is a likelihood of confusion under Article 16.1, as illustrated by the many EC cases described further below. ⁶⁵

⁶² Regulation No 40/94, Article 50.1(c), Exhibit COMP-7; Directive 89/104/EEC, Article 12.2(b), Exhibit COMP-6.

⁶³ Regulation No 40/94, Article 9.1(b), Exhibit COMP-7; Directive 89/104/EEC, Article 5.1(b), Exhibit COMP-6.

⁶⁴ EC Oral Statement at Second Meeting, paras. 166-169.

⁶⁵ Moreover, even without reviewing any EC cases, it should be evident that Article 16.1 requires a presumption of "likelihood of confusion", without regard to reputation, renown, or length of time used, in the case of identical signs used for identical goods.

92. In contrast, Article 14(3), by its own terms, expressly requires that trademarks enjoy reputation, renown and use to block registration of a GI. In other words, Article 14(3) *requires* that these elements be present and considered in determining whether to refuse a GI Registration – under Article 14(3), they are always relevant and, in fact, necessary. The Commission's Guide to Regulation 2081/92 confirms this fact. The Guide emphasizes that the "general rule" is that "the registration of a conflicting trademark does not prevent registration of the geographical name."⁶⁶ According to the Commission, departure from this general rule to deny registration of a GI occurs "only in one circumstance" – where the express terms of Article 14(3) have been met, or in other words, when the trademark satisfies the three prerequisites of reputation, renown and length of use.⁶⁷ "In all other cases," the EC authorities revert to the "general rule" and register the GI, "notwithstanding the existence of the registered trademark."⁶⁸

93. In other words, establishing reputation, renown and use are not merely part of the EC authorities' inquiry, under Article 14(3), into whether the GI raises a likelihood of confusion with respect to a prior, identical or similar trademark. Rather, for a prior valid registered trademark to block registration of an identical or similar GI, the trademark *must* enjoy reputation, renown and use, because Article 14(3) requires that a decision on GI registration be made "in the light of" these factors. According to the Commission, this is the "one circumstance" in which the GI registration will be denied.⁶⁹

94. Limiting Article 16.1 rights to owners of those trademarks that satisfy the requirements of reputation, renown and length of use may be appropriate in one context – when determining whether to extend the heightened scope of protection associated with well-known trademarks. Well-known trademarks are protected against certain uses of identical or similar signs, even when used on *dissimilar* goods or services.⁷⁰

95. For a trademark to be considered "well-known" and accorded this heightened protection, it must satisfy the following criteria, under TRIPS Article 16.2: "knowledge of the trademark" by the public, including knowledge "obtained as a result of the promotion of the trademark."

96. The ordinary meaning of these terms is instructive. The ordinary meaning of the term "well-known" is "known to many, widely or generally known, famous," and "intimately or thoroughly known."⁷¹ The elements of "fame," as well as "wide" and "general" knowledge, accord well with the EC's reference to "reputation and renown," in Article 14(3). Moreover, the ordinary meaning of the term "knowledge," as used in TRIPS Article 16.2, is, among other things, "familiarity gained by experience."⁷² The "familiarity" part of this definition accords with the "reputation and renown" criteria in Article 14(3). Additionally, familiarity with a trademark is most likely "gained by

⁶⁶ Guide to Community Regulations, "Protection of Geographical Indications, Designations of Origin and Certificates of Specific Character for Agricultural Products and Foodstuffs" (Working Document of the Commission Services issued by the European Commission Directorate-General for Agriculture, August 2004), pg. 24. Exhibit EC-64; Guide to Community Regulations, "Protection of Geographical Indications, Designations of Origin and Certificates of Specific Character for Agricultural Products and Foodstuffs" (Working Document of the Commission Services issued by the European Commission Directorate-General for Agriculture, March 2004), pg. 23. Exhibit US-24. The United States notes that while the Commission made certain self-serving amendments, during the course of these proceedings, to the description of Article 12(1) ultimately included in the August 2004 version of the Guide, it made no amendments to the description of Article 14(3), which remains unchanged from the March 2004 version of the Guide.

⁶⁷ Guide to Community Regulations, August 2004, pg. 24. Exhibit EC-64.

⁶⁸ Guide to Community Regulations, August 2004, pg. 24. Exhibit EC-64.

⁶⁹ Guide to Community Regulations, August 2004, pg. 24. Exhibit EC-64.

⁷⁰ See TRIPS Articles 16.2, 16.3.

⁷¹ *New Shorter Oxford English Dictionary* (Fourth Ed. 1993), pg. 3655. Exhibit US-84.

⁷² *New Shorter Oxford English Dictionary* (Fourth Ed. 1993), pg. 1503. Exhibit US-57.

experience" if the trademark is actually used, which corresponds to the "length of use" requirement in Article 14(3).

97. Thus, while it may be appropriate to limit the heightened protection for well-known trademarks to those trademarks that enjoy reputation, renown and use, a trademark need not satisfy those prerequisites to secure the rights guaranteed by TRIPS Article 16.1.⁷³

98. Outside the context of well-known trademarks, this is certainly the case in EC and member State law. EC⁷⁴ and member State^{75 76} courts, as well as OHIM,⁷⁷ routinely find a likelihood of

⁷³ The United States takes no position on whether Article 14(3) of the EC GI Regulation is consistent with TRIPS Articles 16.2 and 16.3, or Article 6bis of the Paris Convention. For the purposes of this dispute, the United States simply observes that Article 14(3) evokes well-established standards for well-known trademarks.

⁷⁴ See, e.g., Case T-129/01, *Budmen/Bud*, 3 July 2003, paras. 56, 42-59 (Owner of prior trademark BUD opposed registration of BUDMEN for identical goods (clothing and footwear). CFI specifically found that BUD did not enjoy reputation for the goods at issue, but nonetheless concluded that a likelihood of confusion arose, based principally on the fact that the public might believe that products designated with BUDMEN formed part of a new range of products marketed by the owner of BUD.); Case T-10/03, *Conforflex/Flex*, 18 February 2004, paras. 52, 40-62 (Owner of prior trademark FLEX opposed registration of CONFORFLEX for identical goods (furniture). CFI rejected evidence submitted by the owner of FLEX regarding reputation of prior trademark, but nonetheless concluded that a likelihood of confusion arose, due to the identity of the goods and the close conceptual similarity of the signs at issue.); Case T-99/01, *Mystery/Mixery*, 15 January 2003, paras. 35, 36-48 (Owner of prior trademark MIXERY unable to establish enhanced distinctiveness based on use of its trademark, or reputation, but CFI nonetheless upheld OHIM's decision to deny registration of MYSTERY, based upon a likelihood of confusion due to the similarity of both the signs and the goods (beer and beverages containing beer).); Case T-6/01, *Matratzen Markt Concord/Matratzen*, 23 October 2002, paras. 28-48 (CFI found likelihood of confusion, without treating the question of reputation or use of prior trademark MATRATZEN, when reviewing OHIM's decision to deny registration of MATRATZEN MARKT CONCORD. CFI based its decision on the similarity of the goods (textiles and furniture), and the similarity of the signs, in particular inclusion of the element "Matratzen" in both signs.); Case T-104/01, *Fifties/Miss Fifties*, 23 October 2002, paras. 30-50 (CFI found likelihood of confusion, without any discussion of reputation or use of prior trademark MISS FIFTIES, when reviewing OHIM's decision to deny registration of FIFTIES. CFI's decision was based solely on the similarity of both the goods (clothing) and the signs at issue.). CFI decisions are available, using the case number as a search term, at <http://europa.eu.int/jurisp/cgi-bin/form.pl?lang=en>.

⁷⁵ See Judgment of the Court of Appeals of Munich, *ArtDeco vs Deco Art*, 6 June 2002, GRUR-RR 2003, pgs. 169-170 (Court considered registration of DECOART for perfumes and cosmetics as confusingly similar to prior trademark ARTDECO for similar and identical goods. Court found that the two trademarks ARTDECO and DECOART were confusingly similar, because the meaning/concept of the two marks was similar, but expressly left open question whether prior mark enjoyed a wider scope of protection because of prior use, basing its decision solely on the assumption that this was not the case, and that prior mark was of average distinctiveness only.) (English excerpt and German version at Exhibit US-85); Judgment of the Federal Patent Court, *Aproma vs Artproma*, 2 October 2002 as published in PAVIS PROMA database (Court considered two trademarks APROMA and ARTPROMA as confusingly similar, since the services at issue (advertising, marketing and consultancy services) were identical or at least very similar, and the sound of the two marks was similar. Court held that prior trademark was of only average distinctiveness, since it had neither been shown that it enjoyed a wider scope of protection due to widespread prior use, nor that distinctiveness had been weakened, either through third party use of similar marks, or because the designation was descriptive.) (English excerpt and German version at Exhibit US-86); Judgment of the Federal Patent Court, *7hils vs. Stihl*, 1 August 2000 as published in PAVIS PROMA database (Court considered use of trademark 7HILS for identical or closely similar goods (motor and chain saws, and agricultural machines) to be confusingly similar to prior trademark STIHL, given a high degree of graphic and phonetic similarity between the signs. Court expressly held that likelihood of confusion existed not only with respect to goods for which prior mark had acquired a reputation, but also with respect to those goods for which reputation was not established.) (English excerpt and German version at Exhibit US-87); Judgment of the Court of Appeals of Cologne, *Fiorini vs Fiocchini*, 13 September 2002, GRUR-RR 2003, pg. 71 et seq., at pg. 72 (Court considered trademark FIOCCINI to be confusingly similar to prior trademark FIORINI, based exclusively on a comparison of the signs at issue and the goods at issue. Court held that the goods (pasta) were identical, and that to exclude a likelihood of confusion in

such a situation, the two signs would have to have been, but were not, considerably different. Court dealt expressly with the question whether prior trademark, FIORINI, enjoyed a wider scope of protection because of alleged widespread prior use, but determined that an extended scope of protection was unwarranted, since reputation and extended prior use had not been properly presented to the court, let alone proven.) (English excerpt and German version at Exhibit US-88); Judgment of the Federal Patent Court, *AGCO vs. ARCO*, 23 July 2002, as published in PAVIS PROMA database (Court found that high degree of phonetic similarity between trademark AGCO and prior trademark ARCO raised a likelihood of confusion with respect to use on similar goods (toys), simply assuming that prior trademark had ordinary distinctiveness, and without addressing reputation or use.) (English excerpt and German version at Exhibit US-89); Judgment of the Hamburg Court of Appeals, *Cellofit vs Cellvit*, 26 June 2003, GRUR-RR 2004, pgs. 57 (Court held that use of trademark CELLVIT on identical or closely similar goods (pharmaceutical products) raised a likelihood of confusion with respect to prior trademark CELLOFIT (although a likelihood of confusion was not found with respect to use of CELLVIT on less similar goods such as adhesive tape, beauty care products and cosmetics), without addressing reputation or use of the prior trademark, and with finding that prior trademark was of regular to weak distinctiveness.) (English excerpt and German version at Exhibit US-90); Judgment of the Cologne Court of Appeals, *Team is Money vs T-is Money*, 7 June 2002, GRUR-RR 2002, pgs. 290-293 (Court found that use of term "T-is money" raised a likelihood of confusion with respect to prior trademark TEAM IS MONEY, since both signs were used for identical services (telecommunications), both were pronounced similarly, and both alluded to slogan "time is money." Reputation and use of prior trademark played no part in court's decision.) (English excerpt and German version at Exhibit US-91); Judgment of the German Federal Supreme Court, *Fläminger*, 28 May 1998, GRUR 1998, pgs. 930-932 (Owner of prior trademark sought to enjoin use of confusingly similar sign featuring an allegedly geographically descriptive term. Court upheld decision to block registration of the confusingly similar term FLÄMINGER as part of a word/device mark, on the basis that it was confusingly similar to prior trademark FÄLINGER, even though prior trademark enjoyed no reputation, no renown and no lengthy prior use, and despite the fact that the word FLÄMINGER referred to the Eastern German region of Fläming.) (English excerpt and German version at Exhibit US-92);

⁷⁶ Judgment of the UK High Court of Justice, *Origins Natural Resources Inc v. Origin Clothing Limited*, 17 November 1994, pg. 284 (Court found likelihood of confusion with respect to use of a similar sign on identical goods even where the registered trademark had never been used. Where trademark has not been used, court simply assumed that it would come into use at some stage, "in a normal and fair manner in relation to the goods for which it is registered," and undertook a comparison "mark to mark," concluding that "[o]ne cannot reasonably expect the public to distinguish between" registered trademark (ORIGINS) and similar sign (ORIGIN) when used on identical goods.) (Exhibit US-93); Judgment of the UK High Court of Justice, Chancery Division, *British Sugar Plc v. James Robertson & Sons Ltd*, January-February 1996, pg. 293 (Court reiterated test that if prior mark had not been used, court would assume that it would come into use at some stage, in a normal and fair manner in relation to the goods for which it is registered, and went on to make a "mark to sign" comparison.) (Exhibit US-94); Judgment of the UK High Court of Justice, Chancery Division, *Wagamama Ltd v. City Centre Restaurants Plc and Another*, July-August 1995, pgs. 731-732 (Court reiterated test that if prior mark had not been used, court would assume that it would come into use at some stage, in a normal and fair manner in relation to the goods for which it is registered, and went on to make a "mark to mark" comparison.) (Exhibit US-95); Decision of the Appointed Person, *React Trade Mark*, 29 June 1999, pg. 288 (lines 13-19) (Tribunal noted that evidence relating to use of prior mark was withdrawn, and that comparison was simply made on basis of "the degree of visual, aural and conceptual similarity" with the allegedly infringing sign, assuming notional, fair use of the prior mark) (Exhibit US-96); Decision of the Appointed Person, *Balmoral Trade Mark*, 18 August 1998, pg. 300 (lines 7-8) (Tribunal held that prior trademark "need not have reputation" to enjoin use of similar or identical signs that raise a likelihood of confusion under Article 5(2) of the Trade Marks Act (corresponding to Article 4(1)(b) of the EC Trademarks Directive)). Exhibit US-97.

⁷⁷ See OHIM Board of Appeal, Case R 433/2002-3, *Tei-Fu/Tai-Fun*, 11 December 2002, paras. 32-43, 31, 28 (Board found that trademark TEI-FU raised a likelihood of confusion with respect to prior trademark TAI-FUN, based on the similarity of the goods covered, and the close phonetic and graphic similarity of the signs. Board reached this conclusion despite express findings that no evidence had been submitted regarding use of prior trademark, and that owner had not established any particular distinctiveness of prior trademark.) (http://oami.eu.int/LegalDocs/BoA/2002/en/R0433_2002-3.pdf); OHIM Board of Appeal, Case R 49/2002-4, *Foris/Fortis*, 17 March 2003, paras. 7-16 (Board found a likelihood of confusion between prior trademark FORTIS and trademark FORIS, based solely on identity of the services at issue and the close similarity of the signs, without any discussion of prior trademark's reputation or use.) (http://oami.eu.int/LegalDocs/BoA/2002/en/R0049_2002-4.pdf); OHIM Board of Appeal, Case R 987/2002-1,

confusion *without the trademark owner having established that the trademark enjoys reputation, renown or use*. In fact, it is fair to say that in most standard cases arising in EC and member State courts, reputation, renown and use are not at issue. Only where the trademark and the allegedly infringing sign are somewhat "less similar" does the trademark owner appeal to reputation to help establish likelihood of confusion and entitlement to a broader scope of protection. In the more common case, the court makes a judgment regarding the likelihood of confusion based simply on a comparison of the similarity of the two signs and the similarity of the goods or services at issue.

99. The United States makes one final point regarding the relevance of "reputation" to the determination of likelihood of confusion in EC law. As noted in the United States' second written submission, only those provisions of the EC Trademark Regulation and Trademark Directive concerning heightened protection against uses of confusing identical or similar signs on *dissimilar* goods make specific reference to the need to establish "reputation."⁷⁸ If, as the EC asserts in this dispute, reputation is also necessary to prove likelihood of confusion with respect to identical or similar signs on *identical or similar* goods, it would seem to render void or redundant the considered references to "reputation" included in the Trademark Regulation and the Trademark Directive. Such a finding would not be consistent with an objective assessment of the facts.

Q149. 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

Response:

100. The ordinary meaning of the term "confusion," from Article 16.1, includes "failure to distinguish."⁷⁹ The ordinary meaning of the term "mislead," from Article 22.2, includes "cause to have an incorrect impression or belief" and "lead or guide in the wrong direction."⁸⁰ As Australia has argued,⁸¹ these two terms, in their context, are distinguishable. When Article 22.2 speaks of preventing uses that "mislead[] the public as to the geographical origin of the good," it speaks of uses that lead the public to believe, incorrectly, that the origin of the good is other than its true place of origin. When Article 16.1 accords a trademark owner the right to prevent uses that "would result in a likelihood of confusion," it speaks to uses that undermine the ability of the owner to distinguish its goods from those goods using an identical or similar sign.⁸²

101. Additional context points to distinctions between the two standards. The standard in Article 16.1 is whether the uses of an identical or similar sign would result in a "*likelihood of confusion*," while the standard in Article 22.2 is whether uses of that sign "mislead[] the public."

Zelecta/Zelletra, 4 February 2004, paras. 24-30 (Board found that trademark ZELECTA raised a likelihood of confusion with respect to prior trademark ZELLETRA, based solely on identity of the goods (and, for one category of goods, the similarity of those goods), and the close phonetic and visual similarity of the signs, without any finding that prior trademark enjoyed reputation or use.) (http://oami.eu.int/LegalDocs/BoA/2002/en/R0987_2002-1.pdf).

⁷⁸ US Second Written Submission, para. 150 (note 131), *citing* Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark, as amended, Articles 8(5), 9(1)(c) (Exhibit COMP-7.a); First Council Directive of 21 December 1988 to approximate the laws of the Member States relating to trade marks (89/104/EEC), as amended, Articles 4(3), 4(4)(a), 5(2) (Exhibit COMP-6.a).

⁷⁹ *New Shorter Oxford English Dictionary* (Fourth Ed. 1993), pg. 478. Exhibit US-84.

⁸⁰ *New Shorter Oxford English Dictionary* (Fourth Ed. 1993), pg. 1791. Exhibit US-84.

⁸¹ See Australian Oral Statement at Second Meeting, para. 15.

⁸² The EC Court of First Instance has stated that "the likelihood that the public might believe that the goods or services in question come from the same undertaking or, as the case may be, economically-linked undertakings, constitutes a likelihood of confusion." Case T-388/00, ILS/ELS, 23 October 2002, para. 44. Exhibit US-98.

Under Article 16.1, a trademark owner need only show that confusion will *likely* result. In contrast, under Article 22.2, an interested party must show that the public is actually misled.

102. The Panel's second question is whether the "likelihood of confusion" and "misleads the public" standards in TRIPS Articles 16.1 and 22.2 have any bearing on the "liable to mislead the consumer" standard in Article 14(3) of the EC GI Regulation. Although both Article 14(3) of the EC GI Regulation and TRIPS Article 22.2 use the term "mislead," there is no specific indication in the Regulation that Article 14(3) was modeled on Article 22.2. In fact, the Article 22.2 standard seems rather to have been adopted by the EC in Article 13(1)(d) of the Regulation. (The "misleading" standard included in TRIPS Article 22.3 is similarly tracked in Article 50.1(c) of the Trademark Regulation and Article 12.2(b) of the Trademark Directive.⁸³)

103. Virtually the only common term used in Article 14(3) and TRIPS Article 16.1 is the word "trademark." The United States does not therefore see any indication that Article 14(3) was drafted with any regard for the standard in Article 16.1, or that Article 16.1 has any bearing on the reading to be given Article 14(3). The EC has appropriately used the "likelihood of confusion" standard in its internal legislation in connection with WTO obligations: that is the specific standard adopted in Article 9.1(b) of the Trademark Regulation and Article 5.1(b) of the Trademark Directive.⁸⁴ A fair inference can be drawn that when the EC meant to use the likelihood of confusion standard, it did so expressly.

104. The word "mislead" appears to be used throughout the EC GI Regulation in the sense of affirmatively leading the public to believe something about the product that is not true, *e.g.*, that the product comes from a place other than the true place of origin.⁸⁵ This is in contrast to the term "confusion", which appears generally to be used in the Article 16.1 sense of a failure or inability to distinguish.⁸⁶ This distinction also appears in the equally authentic French versions of the GI Regulation, which renders "confusion" as "confusion", but renders "mislead" as a more affirmative act of leading the public to believe something untrue.⁸⁷ This distinction strongly suggests, as a factual matter, that "liable to mislead" in the sense of Article 14(3) cannot be read as meeting the "likelihood of confusion" standard of Article 16.1.

105. Further, as the United States has explained elsewhere,⁸⁸ the reference in Article 14(3) to trademarks with reputation, renown and some length of use is consistent with the definition of well-known or famous marks offered in TRIPS Articles 16.2 and 16.3, as well as Article 6*bis* of the Paris Convention. Similarly, the prerequisites in Article 14(3) track the factors for determination whether a trademark is well-known that are recorded in Article 2(1)(b) of the Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks, adopted by the Paris Union Assembly and the WIPO General Assembly.⁸⁹ Additionally, in adopting recent amendments to its laws upon accession to the EC, an EC member State characterized its understanding that Article 14(3)

⁸³ Regulation No 40/94, Article 50.1(c), Exhibit COMP-7; Directive 89/104/EEC, Article 12.2(b), Exhibit COMP-6.

⁸⁴ Regulation No 40/94, Article 9.1(b), Exhibit COMP-7; Directive 89/104/EEC, Article 5.1(b), Exhibit COMP-6.

⁸⁵ *See, e.g.*, Articles 3.2, 6.6, 13.1(c), 13.1(d), and 14(3) of the EC GI Regulation.

⁸⁶ *See, e.g.*, Articles 6.6, 7.5(b), 12(2), 12b(3) and 12d(3) of the EC GI Regulation.

⁸⁷ *E.g.*, "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)).

⁸⁸ US Second Written Submission, para. 146.

⁸⁹ US Second Written Submission, para. 147.

tracks the factors for determining whether a trademark is well-known.⁹⁰ Moreover, the EC Trademark Regulation and Trademark Directive similarly refer to "reputation" as a prerequisite for the heightened protection associated with well-known marks.⁹¹

Q150. 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

Response:

106. It would appear that the particular inconsistencies with Article 16.1 identified by the United States in this dispute might be addressed if the GI Regulation were to incorporate the substantive disciplines of EC trademark law into Article 14(2), or elsewhere in the Regulation. In fact, as the United States has explained, the Committee on Legal Affairs and the Internal Market of the European Parliament proposed just such an amendment.⁹² This proposal would have added the following language to Article 14(2):

This Regulation shall be without prejudice to the right accorded under the laws of the Member States and/or Council Regulation (EEC) No 40/94 of 20 December 1993 on the Community trade mark to bring proceedings for infringement of the right embodied in a trade mark conforming to the conditions set out in the first sentence of this paragraph on account of the use of a designation of origin or geographical indication subsequent to that trade mark, be it under the civil, administrative, or criminal law of the Member States.⁹³

This language would address these inconsistencies with Article 16.1, assuming that it fully maintains and incorporates the substantive rights of exclusivity of prior trademarks, consistent with Article 16.1 of the TRIPS Agreement. As the United States understands it, this amendment would allow trademark owners to exercise their TRIPS Article 16.1 rights, but would also provide for fair use and other exceptions pursuant to EC and member State trademark laws, consistent with TRIPS Article 17.

107. Finally, the United States again notes that it is difficult to understand how "fair use of descriptive terms" might apply to registered GIs (pursuant to Article 2(3) of the GI Regulation) that are not geographic names (e.g., Feta).

⁹⁰ US Second Written Submission, paras. 148-149. The EC asserts that the amended provision of Hungarian law cited by the United States in Exhibit US-59 "applies to products not covered by Regulation 2081/92." EC Oral Statement at Second Meeting, para. 172 (tired 3). This rebuttal is beside the point. The important point is that in the Hungarian government's view, Article 14(3) applies to "well-known mark[s]." See Exhibit US-61. The EC had previously asserted that the EC member States agree with its position, in this dispute, that Article 14(3) denies registration to GIs that mislead with respect to all trademarks. EC Responses to Questions, paras. 172-174. Exhibit US-61 demonstrates that the EC's assertion is untrue, and that some member States agree that Article 14(3) denies registration only to those GIs that mislead with respect to well-known trademarks.

⁹¹ US Second Written Submission, para. 150.

⁹² US Second Written Submission, para. 166.

⁹³ Exhibit US-21, at pp. 13-14.

Q151. 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

Response:

108. The United States agrees that Article 24.3 is an exception to Part II, Section 3 of the TRIPS Agreement. As the United States has explained, this is evident both from the heading to Article 24 ("International Negotiations; Exceptions"), as well as the introductory clause that limits its scope to actions taken "[i]n implementing this Section".⁹⁴

109. Given that the other exceptions in Article 24 constitute an important part of Part II, Section 3, it is reasonable to read "In implementing this Section" as incorporating measures taken to implement the other exceptions, when such measures could diminish the protection of individual GIs that existed in that Member prior to entry into force of the WTO Agreement. However, the ordinary meaning of the phrase "In implementing this Section" is not *limited* to implementation of Article 24, but would seem to also apply, where appropriate, to measures taken to implement aspects of other provisions of the GI section that could diminish the protection of individual GIs protected prior to entry into force of the WTO Agreement.

110. Nevertheless, the Panel's suggestion regarding Article 24.3 is not only consistent with a textual and contextual interpretation of Article 24.3 as an exception to the obligations in the GI section. It also directly contradicts the EC's views that (1) Article 24.3 is not an exception (despite clear language and context to the contrary) and (2) it in fact imposes an additional obligation on the EC not to modify its GI protection system in any way, despite its inconsistencies with the trademark obligations under the TRIPS Agreement.

Q152. 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

Q153. 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

Q154. 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

Response:

111. An "interest" is defined as "[t]he fact or relation of having a share or concern in, or a right to, something, esp. by law" or "[t]he relation of being involved or concerned as regards potential detriment or (esp.) advantage."⁹⁵ "Legitimate" refers to "[g]enuine", "[c]onformable to, sanctioned or authorized by, law or principle"; "normal, regular, conformable to a recognized standard type."⁹⁶

⁹⁴ US Second Written Submission, paras. 189-190.

⁹⁵ *New Shorter Oxford English Dictionary* (Fourth Ed. 1993), pg. 1393. Exhibit US-84.

⁹⁶ *New Shorter Oxford English Dictionary* (Fourth Ed. 1993), pg. 1563. Exhibit US-84.

Thus, a "legitimate" interest arises when a party has a concern that is recognized either by law, or by other types of normative standards.⁹⁷

112. Article 17 does not specifically list the types of "legitimate interests of the owner of the trademark and of third parties" that must be taken into account when providing limited exceptions. Immediate context, however, provides important guidance.

113. The largest and most obvious set of third parties affected by trademarks are consumers who make decisions in the marketplace based on their association of a trademark with a product. When Article 16.1 provides rights to trademark owners to prevent uses that "would result in a likelihood of confusion", the "confusion" that is avoided is confusion on the part of consumers who are making purchasing decisions based on trademarks. Therefore, "legitimate interests of ... third parties", under Article 16.1, includes the interests of consumers not to be confused by signs. Anything that results in a likelihood of confusion for consumers is not in their legitimate interests. Moreover, consumers benefit from a strong trademark system, generally, as trademarks encourages fair competition among producers and provide valuable information to consumers about the particular products that they are purchasing.

114. Another type of relevant third party consists of those parties that have licenses to affirmatively use a trademark, or to exclude others from using the mark. This is evident from Article 16.1, which refers to "all third parties *not having the owner's consent*", and which implies that third parties with the trademark owner's consent have the right to use identical or similar signs. It is also evident from TRIPS Article 21, which refers to licensing of trademarks. The legitimate interest of the licensees are tied directly to those of the trademark owner, as their license agreements are accorded value as a result of the Article 16.1 rights accorded to the trademark owner (or licensed to the licensee).

115. As for the "legitimate interests of the owner of the trademark", such interests are also evident from the context provided by Articles 16.1 and 15.1 of the TRIPS Agreement. Trademark owners have a legitimate interest in exercising their exclusive right to prevent all others from confusing use, as this maintains the value of the trademark, and preserves the investments made to promote the trademark and associated products to the public in a territory (*i.e.*, through advertising, etc.).⁹⁸ In other words, trademark owners have a legitimate interest in preventing competitors from inducing consumers to buy competing products based not on the quality of the competing product, but instead on an inaccurate belief that they are buying the product associated with the trademark. In addition to harming consumers, this reduces the economic value of the trademark, and the profits of the trademark owner's business.

116. This consideration is consistent with the analysis of the *US – Section 110(5)* panel which, when interpreting the phrase "legitimate interests of the right holder" in the context of the copyright section, explained as follows:

In our view, one – albeit incomplete and thus conservative – way of looking at legitimate interests is the economic value of the exclusive rights conferred by copyright on their holders. It is possible to estimate in economic terms the value of exercising, e.g., by licensing, such rights. That is not to say that legitimate interests are necessarily limited to this economic value.⁹⁹

⁹⁷ See Panel Report, *US – Section 110(5)*, para. 6.224.

⁹⁸ See *infra* Response to Question 155, regarding the extent to which these exclusive rights could be limited pursuant to Article 17 of the TRIPS Agreement.

⁹⁹ Panel Report, *US – Section 110(5)*, para. 6.227.

Similarly, the "legitimate interests of the owner of the trademark" encompasses the interests in preserving the economic value of the exclusive rights conferred by a trademark.

117. Moreover, a trademark owner has a legitimate interest in ensuring that its trademark continues to be capable of distinguishing the goods or services of its undertaking from those of other undertakings, within the meaning of Article 15.1. If others are able to dilute the value of the trademark by using it on their products without the consent of the trademark owner, then this diminishes the capability of the sign to distinguish its goods or services, and may even result in total loss of the trademark.¹⁰⁰

118. With respect to the relationship among the legitimate interests, it seems that the interests of the trademark owners, licensees, and consumers do not conflict at all, as they all benefit from enforceable Article 16.1 rights, which preserve the value of the trademark for the trademark owner and licensee, at the same time that they prevent confusion of the consumers. This is quite different from the patent context, for example, where the short term interests of the consumers (to purchase cheaper products) may differ from the short term interests of the patent holder (to profit from the invention and recover the associated research and development expenses).

119. To the extent that "legitimate interests ... of third parties" include the interests of producers in providing information to consumers about the geographical origin of the product, or in using a purely descriptive term, and the corresponding interests of consumers in receiving such information, these interests may also be taken into account, but only to the extent that they "provide limited exceptions to the rights conferred by a trademark" and do not require ignoring the legitimate interests of the trademark owner, pursuant to Article 17. As the United States has explained, the phrase "limited exception" refers to "a narrow exception - one which makes only a small diminution of the rights", where "limited", is "measured by the extent to which the exclusive rights" of a trademark have been curtailed.¹⁰¹

120. By contrast, as the United States has detailed elsewhere, the blanket exception to trademark rights in Article 14(2) of the GI Regulation is not a "limited exception" and does not take into account the interests of anyone other than producers of certain agricultural products in the EC who have rights to use a registered GI. Under the EC's interpretation of TRIPS Article 17, all uses of a registered GI are automatically entitled to the "fair use" exception, no matter what the facts of the particular case at hand (*i.e.*, whether the use is fair, the term is descriptive, or the legitimate interests of the trademark owner are considered), by simple virtue of registration alone. It is an exception that harms consumers, as they will purchase products that they do not intend to purchase because of confusion over the name.

Q155. 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

Response:

121. As the United States explained in its second oral statement, TRIPS Article 17 does contemplate some curtailment of the rights granted in Part II, Section 2 of the TRIPS Agreement, but the provision explicitly states that such curtailment for any given trademark must be limited.¹⁰² Given

¹⁰⁰ US Opening Oral Statement at Second Meeting, para. 90; US Second Written Submission, para. 174.

¹⁰¹ US Opening Oral Statement at Second Meeting, para. 100, quoting Panel Report, *Canada - Patent Protection*, paras. 7.30-7.31. *See infra* US Response to Question 155.

¹⁰² US Opening Oral Statement at Second Meeting, para. 102.

that Article 17 refers to limited exceptions to the "rights conferred by a trademark", and Article 16 (including Articles 16.1, 16.2, and 16.3) defines the "Rights Conferred", it is logical that Article 17 presupposes a certain degree of likelihood of confusion for a particular trademark within the meaning of Article 16.1. By its very terms, however, Article 17, unlike the GI Regulation, does not permit virtually unlimited exceptions, simply because those exceptions relate to the rights of a limited *number* of trademarks.¹⁰³ Nor does Article 17 permit the unlimited degree of likelihood of confusion allowed by the GI Regulation. Finally, with specific textual references to the rights conferred by "a" trademark and the legitimate interests of the owner of "the" trademark, Article 17 does not permit automatic entitlement to an exception, without consideration, for example, of whether the "use" at issue is "fair," or the "terms" at issue are "descriptive."

122. As noted above, under the EC's interpretation of TRIPS Article 17, uses of a registered GI are automatically entitled to the "fair use" exception, by simple virtue of registration alone. The EC has failed to explain, nor can it, how a blanket exception, requiring trademark owners to sell their products alongside the products of an *unlimited* number of producers using identical or similar GIs, for an *unlimited* amount of time, and with an *unlimited* degree of consumer confusion, is a "limited exception".

123. With respect to the Panel's question about whether "fair use of descriptive terms" within the meaning of Article 17 includes the use of a trademark to indicate source, the answer is No. As the United States explained during its second oral statement, a "descriptive" term is one that is "characterized by description", where description refers to "[a] detailed account of a ... thing." Trademarks are a form of intellectual property, with associated rights, that are not merely "descriptive." According to TRIPS Article 15.1, for example, only those signs that are "capable of distinguishing the goods or services of one undertaking from those of other undertakings" may constitute a trademark. Thus, trademarks are not merely descriptive and can not be considered "descriptive terms" within the meaning of Article 17.

Q156. 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

Response:

124. Beginning with the text of the provisions themselves, Article 17, the trademark exception, states:

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

125. Article 13, the copyright exception, states:

Members shall confine limitations or exceptions to exclusive rights to certain special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder.

126. Article 26.2, the industrial design exception, states:

Members may provide limited exceptions to the protection of industrial designs, provided that such exceptions do not unreasonably conflict with the normal exploitation of protected industrial designs and do not unreasonably prejudice the

¹⁰³ US Opening Oral Statement at Second Meeting, para. 102.

legitimate interests of the owner of the protected design, taking account of the legitimate interests of third parties.

127. Article 30, the patent exception, states:

Members may provide limited exceptions to the exclusive rights conferred by a patent, provided that such exceptions do not unreasonably conflict with a normal exploitation of the patent and do not unreasonably prejudice the legitimate interests of the patent owner, taking account of the legitimate interests of third parties.

128. The first apparent difference between the latter three exceptions and Article 17 is the reference in Articles 13, 26.2 and 30 to "normal exploitation." Exceptions to copyright may not conflict with "a normal exploitation of the work"; exceptions to industrial design protection may not "unreasonably conflict with the normal exploitation" of the design; and exceptions to patent rights may not "unreasonably conflict with a normal exploitation of the patent". This difference is based on the difference in the nature of the intellectual property right. Copyrighted works, industrial designs, and patents are all subject to "exploitation" by the rightholder by, for example, including the protected work, industrial design, or invention in a product for use or sale – or licensing others to do so. It is possible for exceptions to rights to conflict either not at all (copyrights) or not unreasonably (industrial designs and patents) with "a normal exploitation". Further, exceptions might conflict with an "exploitation" of the copyright, industrial design or patent, without conflicting with a "normal" exploitation, which implies a normative standard for what is "normal".¹⁰⁴

129. By contrast, a trademark owner is provided the exclusive right to prevent uses of signs that cause a likelihood of confusion with respect to the trademark. That right is not subject to "exploitation" in the same sense as the "exploitation" of a copyrighted work, protected industrial design, or patented invention. Unlike in other intellectual property areas, therefore, Article 17 does not permit exceptions that would conflict with *any* exploitation of the trademark – normal or not – and does not permit reasonable conflicts with "a normal exploitation", because any conflict with trademark rights goes to the heart of the trademark owner's legitimate interest. Therefore, there is no need for Article 17 to provide for exceptions that conflict with an "exploitation" of the trademark.

130. Similarly, Articles 13, 26.2, and 30 permit exceptions that "do not unreasonably prejudice the legitimate interests of the" intellectual property right holder. Article 17, by contrast, requires that any exceptions "take account of the legitimate interests of the owner of the trademark." This, too, is explained by the differences in the intellectual property rights concerned. A WTO Member might permit businesses to make performances of copyrighted works through "homestyle" audio equipment because it had been shown that copyright owners did not derive much revenue from such use, and thus the use did not unreasonably prejudice the legitimate interests of the copyright holder. A WTO Member might permit persons other than the patent holder to make drugs covered by a patent, purely for the purpose of obtaining market approval for the drug, so that it can be sold once the patent expires, again without prejudicing the legitimate interests of the patent holder. By contrast, the very ability of a trademark owner to distinguish goods using his trademark is significantly compromised if that trademark owner cannot stop confusing uses of his signs – that is, if there are signs in the marketplace that are likely to cause confusion. So, for the same reason that the language "does not [unreasonably] conflict with the normal exploitation" of a trademark is not included in Article 17 – because any conflict with the trademark undermines the trademark right entirely – the standard of

¹⁰⁴ The Panel in *Canada - Patent Protection of Pharmaceutical Products* explained that the term "normal" as used in Article 30, "can be understood to refer either to an empirical conclusion about what is common within a relevant community, or to a normative standard of entitlement. The Panel concluded that the word 'normal' was being used in Article 30 in a sense that combined the two meanings." Panel Report, *Canada - Patent Protection of Pharmaceutical Products*, para 7.54.

"unreasonably prejudice" the rights of the owner is not included - because any uses of signs likely to cause confusion with a mark will prejudice the owner's interests. In order to "take account" of the trademark owner's legitimate interests in being able to use his trademark to distinguish goods, likelihood of confusion must be avoided to the maximum extent possible, and where likelihood of confusion is necessary – because of the competing interests concerned – such likelihood of confusion should be limited to that which is strictly necessary to serve the particular competing interest in the case.¹⁰⁵

131. Indeed, reinforcing this view of the trademark obligation, in contrast to the obligations with respect to other intellectual property rights, Article 21 of the TRIPS Agreement provides that "compulsory licensing of trademarks shall not be permitted." By contrast, there is no such provision with respect to copyrights, industrial designs, or patents.

132. With respect to the interests of third parties, Articles 26.2 and 30 are virtually identical to Article 17, as all require the exceptions to take "account of the legitimate interests of third parties." Article 13, by contrast, does not specifically refer to the interests of third parties. Again, this difference demonstrates the simple proposition that third party interests must specifically be considered when providing exceptions to trademarks, industrial designs, and patents, but that this is not an explicitly-stated requirement for copyright exceptions in the TRIPS Agreement.

133. Finally, another difference between the other three exceptions is that Article 17 refers specifically to "fair use of descriptive terms", as an example of the types of permitted limited exceptions. As the reference to "fair use" is introduced by the phrase "such as", this is not the only permitted limited exception. The fact that Articles 13, 26.2, and 30 do not contain specific examples of exceptions does not provide any relevant information about how Article 17 should be interpreted.

Q157. 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

Response:

134. The United States' claim that the EC does not provide the legal means required under Article 22 of the TRIPS Agreement is based on inadequacies in the EC GI Regulation. As the United States has pointed out in its submissions and oral statements, the EC GI Regulation provides *the* means for obtaining Community protection of geographical indications of agricultural products and foodstuffs (Article 2(1) of the GI Regulation). And it fails to provide those means to all interested parties, as required by Article 22. Further, by providing *the* vehicle for obtaining Community-wide protection for geographical indications, and then failing to provide rights of objection to interested parties, it has failed to provide any mechanism at all for interested parties to protect against misleading uses with respect to a GI that has been registered: once a GI has been registered, those who might have objected are powerless to prevent misleading uses with respect to those GIs. The EC has suggested that other, unspecified, member State laws and Community rules make up for these deficiencies in the GI Regulation, but it has not sustained its burden of refuting the US *prima facie* case. To the contrary, the EC declined an invitation from the Panel to provide such information.

¹⁰⁵ As noted in the US response to question 155, to be "limited," an exception cannot apply automatically and in all cases, without an analysis of the particular competing interests at issue.

Q158. 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

Response:

135. The drafters of the DSU chose to refer to "measures" being inconsistent with the covered agreements. For example, Article 19.1 of the DSU refers to the situation where "a panel or the Appellate Body concludes that a measure is inconsistent with a covered agreement."¹⁰⁶ The United States has followed this convention.

136. The EC may have a number of options to implement DSB recommendations and rulings that its GI Regulation is inconsistent with the EC's WTO obligations, and the United States is not attempting to prejudge what those options are at this point in the dispute nor which option the EC should choose.

137. If the Panel's question is directed at *current* measures that may fill the gaps, in any dispute, of course, it is theoretically possible that there are other measures, of which the complainant is unaware and which it did not cite, that eliminate or counteract any alleged inconsistency identified by the complainant. For example, a law cited in a panel request may have been overturned by a later law. Or, in identifying burdens placed on foreign products in one regulation, the complainant may have been unaware of another regulation placing the identical burdens on domestic products (although, ideally, such omissions would have been elucidated in consultations). In such a case, once the complainant has presented a *prima facie* case that a measure is inconsistent with a WTO obligation, it is the respondent that then has the burden to rebut that *prima facie* case by presenting facts and arguments showing that there is no inconsistency. Such facts and arguments may very well include other domestic measures, not cited by the complainant, that demonstrate that any alleged inconsistency is eliminated. This would then constitute the respondent's affirmative defense (it is the respondent that is in the best position to come forward with such information about its own domestic law). However, if the respondent fails to do this – *i.e.*, if it fails to overcome the *prima facie* case presented by the complainant – then the panel must make findings in favor of the complainant.

138. In this dispute, for instance, in response to claims that the GI Regulation deprives trademark owners of their Article 16.1 rights, the EC has merely presented excerpts of a few other laws – such as unfair advertising laws – that they claim "fill in the gap" left by the GI Regulation. Of course, the United States has explained that, since the standards in those laws are much more stringent than those in Article 16.1, they in no way provide trademark owners with their Article 16.1 rights. But the point with respect to the Panel's question is that, if there were other measures somewhere in EC legal system or in those of its member States that compensated for the WTO inconsistencies in the GI Regulation, the EC would have and should have come forward with them. But in fact, if there are any such measures, the EC failed to present them to the United States during five years of consultations. And they failed to do so during the entire course of this proceeding. Indeed, at the first Panel meeting, the United States recalls that the Panel specifically invited the EC to present information to support its vague allegations that other, unspecified EC and EC member State laws and regulations might make up for the apparent WTO inconsistencies in the EC GI Regulation. The EC declined to

¹⁰⁶ See also for example Articles 3.7 and 21.5.

do so, implying that it was the responsibility of the United States to show that there were no such laws or regulations.¹⁰⁷

139. But the consequences of this approach would be to require the complainant to show that (1) a particular measure is inconsistent with WTO obligations and (2) there is no other measure anywhere throughout the legal system of the respondent that compensates for this WTO-inconsistent measure. Such a requirement would be tantamount to requiring a complainant to cite in its consultation and panel requests the entire body of the respondent's law as the measures at issue. Needless to say, putting such a burden on the complainant to "prove the negative" is inappropriate and unworkable.

Q159. 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

Q160. 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

Q161. 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

Q162. 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

Q163. 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

¹⁰⁷ The United States also reminds the Panel that, contrary to the EC's arguments, the United States does not have the burden of proving that its reading of the GI Regulation is "the only reasonable interpretation" (EC Second Written Submission, para. 275) or the "only correct one" (EC Oral Statement at the Second Panel Meeting, para. 5), or that a WTO-consistent interpretation of the regulation is "impossible" (EC Second Written Submission, para. 274). Nor can the EC simply rely on "considerable deference" to immunize it from claims of WTO-inconsistency. (EC Second Written Submission, para. 273). Rather, the United States has the burden of presenting information and arguments that the EC Regulation means what it says sufficient to make a *prima facie* case of a WTO-inconsistency. It is then up to the EC to present information and arguments to rebut that *prima facie* case.

Q164. 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

Response:

140. The first paragraph of the preamble, and Articles 7 and 8, of the TRIPS Agreement are potentially relevant to the extent they provide context for interpreting the provisions offered by the parties, or to the extent they point to the object and purpose of the TRIPS Agreement. And, indeed, the first paragraph to the preamble to the TRIPS Agreement is instructive, as it reflects the desire of the Members "to reduce distortions and impediments to international trade" and "to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade." The United States has already discussed the relevance of this provision to interpreting footnote 1 to Article 1.3 of the TRIPS Agreement in response to question 104. In addition, however, in interpreting the provisions of the TRIPS Agreement that the United States argues are breached by the EC GI Regulation, the Panel should be mindful of the object and purpose of the TRIPS Agreement, as reflected in this preamble, as contrasted with the obvious distortions, impediments, and barriers to international trade introduced by the EC GI Regulation.

141. By contrast, the United States does not believe that Articles 7 and 8 of the TRIPS Agreement contribute significantly to an understanding of the TRIPS provisions at issue. Likewise, the EC has also not provided arguments with respect to these provisions.

ANNEX A-9

**COMMENTS OF THE UNITED STATES 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)

1. The United States is providing comments below on the responses of the European Commission ("EC") to the second set of questions presented by the Panel and Australia on August 13, 2004. The question numbers used as headings are the questions presented to the EC by the Panel, and the paragraph numbers, if any, at the beginning of each comment refer to the paragraph number of the EC response. The United States has incorporated its comments on the EC's responses to the questions of Australia in the comments on the EC's responses to the questions of the Panel. The United States has not commented on all responses, nor has it commented on all aspects of the responses that are addressed. Silence should not be construed as agreement. With respect to many questions, the EC responses raise the same points that the EC has argued previously and that the United States has already addressed in the course of this dispute (including in its own responses to the second set of Panel questions).

Question 94

2. Two comments are in order. First, the EC again admits in paragraph 1 that the reciprocity and equivalence requirements in Article 12(1) of the GI Regulation conflict with the EC's obligations under Article III:4 of the GATT 1994.¹ Since Article 12(1) contains the requirement for equivalent inspection structures, the United States does not see the basis for the EC's claim that the requirement for EC-equivalent protection is inconsistent with Article III:4 and yet the requirement for EC-equivalent inspection structures is not.²

3. Second, despite the EC's equivocations, the fact is that the EC claimed in its first submission – and still claims in its most recent official Guide of one month ago³ – that the *obligations of the TRIPS Agreement* rendered the equivalency and reciprocity requirements inapplicable to WTO Members. Further, in its responses to Panel questions, the EC specified that the "without prejudice" language referred to *both* the TRIPS Agreement *and* the GATT 1994.⁴ And in its second submission, the EC clarified that the introductory phrase "without prejudice to international agreements" means that the provisions that follow are inapplicable to the extent they *conflict* with an international agreement.⁵ The EC also specified immediately afterward in that same submission that the "without prejudice" language prevents any conflict with the national treatment obligations of the TRIPS Agreement and the GATT 1994, by rendering equivalency and reciprocity requirements inapplicable to WTO Members.⁶ Yet, as the EC has perhaps only recently come to see, the EC's own argument necessarily means that the reciprocity and equivalence conditions of the GI Regulation provide less favorable treatment to non-EC nationals than to EC nationals. This directly contradicts the EC's

¹ See EC Second Written Submission, para. 55, in which the EC states that when regulatory provisions are preceded by the "without prejudice to international agreements" language, this means that the international agreement prevails when there is a "conflict" between the regulatory provision and the international agreement.

² Article 12(1), foreshadowing the requirements in Article 12a(2), imposes the condition of "inspection arrangements ... equivalent to those laid down in this Regulation."

³ Exhibit EC-64, page 18

⁴ EC Responses to First Set of Panel Questions (July 8, 2004), paras. 12-13.

⁵ EC Second Written Submission, para. 55

⁶ EC Second Written Submission, para. 56.

separate argument that the EC GI Regulation has nothing to do with discrimination against "nationals". Now that it has become apparent that the EC's earlier arguments constitute an admission that the GI Regulation *does* accord different treatment to non-EC nationals than to EC nationals, the EC is trying to back away from those earlier arguments (as it has with respect to its own consistent interpretation of its Regulation). But the truth is found in the EC's own assessment of its own Regulation before the ramifications of that assessment became apparent: the GI Regulation does, in fact, accord different, and less favorable, treatment to non-EC nationals than it accords to EC nationals.

Question 95

4. It appears clear from the EC's response that, prior to the EC's first written submission in this dispute, neither the EC nor any EC institution expressed any view to anyone that the conditions of reciprocity and equivalence do not apply to WTO Members because those conditions are inconsistent with the EC's WTO obligations.

Question 96

5. The EC's answer speaks for itself, although the United States would note that even if the Commission did consider the "guide" – which is not a measure within this Panel's terms of reference – to be internally binding, it would not, even in the EC's view, be binding on any EC member States or other EC institutions, such as, most notably, the European Court of Justice ("ECJ"). Consequently, this "guide" offers no comfort that the ECJ would uphold the Commission's strained and non-textual interpretation of the GI Regulation.

Question 97

6. The United States confesses that it does not see how any of the quoted documents support the EC's apparent view that it "confirmed [in TRIPS Council] that there were no conditions of equivalence or reciprocity."⁷ By contrast, the United States and Australia have documented numerous cases in which, in describing the GI Regulation to WTO Members, the conditions of equivalency and reciprocity were prominently mentioned, with no disclaimer that these conditions did not apply to the WTO Members to whom the descriptions were addressed.

7. Further, the Panel should recall that, whatever shades of nuance the EC now seeks to have the Panel read into general communications to the WTO Members over the years, the EC specifically confirmed in writing the US understanding that its GIs could not be registered because the United States did not satisfy the GI Regulation's conditions of equivalence and reciprocity.⁸

8. Finally, while the EC communications to other WTO Members in the TRIPS Council do nothing to dispel the conclusion that the conditions of reciprocity and equivalence apply to WTO Members, they do shed light on the issue of national treatment under the TRIPS Agreement. In the very excerpt quoted and relied upon by the EC from the official EC responses to questions from India, the EC itself described the Regulation as making a distinction between producers established in the EC, on the one hand, and "third country *nationals*", on the other. The EC was attempting to characterize the treatment as equal – "to avoid discrimination" – but was not disguising the fact that the two tracks for GI registration corresponded to nationality:

⁷ EC Response to Second Set of Panel Questions, para. 15.

⁸ See US Opening Oral Statement at the Second Panel Meeting, para. 21; Exhibit US-73, unnumbered p.4: "While it is true that US GIs cannot be registered in the EU . . .".

In order to obtain the same protection (Article 13 of the Regulation), if it must be complied with by the producers established in the EC, *it must also be complied with by the third country nationals, to avoid discrimination.*⁹

9. Further, lest there be any doubt as to the EC's view of its own GI Regulation, the EC specifically stated that providing protection to GIs in respect of products from third countries was required by the national treatment obligation of the TRIPS Agreement:

Article 12 of Council Regulation 2081/92/EEC provides for the same protection in respect of products from third countries which meet those requirements. *Therefore, nationals from other WTO Members are afforded treatment "no less favorable" than Community nationals, as required by Article 3 of the TRIPS Agreement.*¹⁰

The paragraph that immediately follows makes the same statements with respect to the MFN obligation under Article 4 of the TRIPS Agreement. The quoted passages from the EC's response to New Zealand are in a similar vein.¹¹

Question 100

10. The United States submits that, within a single measure and as between related measures, the calculated use of different words and phrases would normally reflect that a difference in meaning is intended.

Question 101

11. The United States finds it interesting that, in response to a claim that a measure accords less favorable treatment to non-EC nationals than to EC nationals – in direct breach of the TRIPS Agreement and Paris Convention national treatment obligations – the EC is asking the Panel simply not to make "any comparison between nationals." The purported ground is that the Regulation does not contain any discrimination on the basis of nationality.

12. But the TRIPS Agreement requires that non-EC nationals be accorded treatment no less favorable than that accorded to EC nationals with regard to the protection of intellectual property. That the EC would now ask the Panel not to even compare treatment of EC versus non-EC nationals in a measure that concerns protection of intellectual property is itself probative of what the EC believes such a comparison – which is mandated by the very nature of the obligation – would show. And, as discussed above, it is contrary to the EC's communications in the TRIPS Council, which specifically *invited* such a comparison in the mistaken belief that the discrimination with respect to non-EC nationals did not amount to less favorable treatment.¹²

13. Another reading of the EC's response is that the EC believes that, since the GI Regulation does not state literally that EC "nationals" are accorded one treatment and that non-EC "nationals" are accorded lesser treatment, the measure is *per se* non-discriminatory, and any further analysis is therefore unnecessary. As the United States has set forth in detail in its comments on Panel

⁹ IP/Q2/EEC1, p. 23, cited at EC Response to Second Set of Panel Questions, para. 15 (emphasis added).

¹⁰ *Id.* Emphasis added.

¹¹ *E.g.*, EC Response to Second Set of Panel Questions, para. 12 ("the procedure followed by Community producers as outlined above must be followed, in accordance with the principle of national treatment.")

¹² *See* US comment to EC question 97 response.

question 103 below, and its own responses to Panel question 103, this is simply untrue, and is contrary to findings of the Appellate Body in, for instance, *US Bananas* and *Canada – Autos*.

14. Further, it is simply untrue as a factual matter that "the only relevant element to which the Regulation refers is the location of the area to which the geographical indication is related." The Regulation specifically limits the ability to apply to register a GI, and thereby to obtain rights in the GI, to persons producing or obtaining the products in the relevant geographical area. Further, it is the persons established and producing the products in the relevant area that are the intellectual property rightholders whose rights are protected by the TRIPS Agreement and the Paris Convention. Finally, the right of objection is expressed purely in terms of where the person is resident or established, and where that person is "from", which the EC itself specifically characterized in last year's amendments to the EC GI Regulation as corresponding to the person's nationality.¹³

15. As the United States notes above in its comment on the response to question 97, the EC itself, in communications in the TRIPS Council, characterized the requirements of the GI Regulation as applying to EC producers, on the one hand, and third country "nationals" on the other. Further, in those same communications, the EC itself asserted that, *because* the GI Regulation provides GI protection "in respect of products from third countries which meet [the requirements of Article 12]", "[t]herefore, nationals from other WTO Members are afforded treatment 'no less favourable' than Community nationals, as required by Article 3 of the TRIPS Agreement."

Question 103

16. In response to the Panel's question concerning considerations relevant to the Panel's assessment of *de facto* discrimination, the EC takes two tacks. The first is to draw various distinctions between the national treatment obligation in the GATT 1994 and the national treatment obligation in the TRIPS Agreement and the Paris Convention. This is apparently an attempt to create as much distance as possible between this dispute and the considerable body of panel and Appellate Body findings in the goods context that would lead the Panel to find a breach of national treatment with respect to intellectual property rights in this dispute. But while there are certainly distinctions between the national treatment obligation under Article III of the GATT and the national treatment obligation under Article 3 of the TRIPS Agreement and Article 2 of the Paris Convention, the Appellate Body itself stated in *US – Section 211* that the national treatment obligation is a fundamental principle underlying the TRIPS Agreement, just as it was in what is now the GATT 1994.¹⁴ The Appellate Body noted further that the language of Article 3.1 of the TRIPS Agreement is similar to that of Article III:4 of the GATT 1994, and stated that "the jurisprudence on Article III:4 may be useful in interpreting the national treatment obligation in the TRIPS Agreement."¹⁵ Indeed, one object and purpose of the TRIPS Agreement is to establish new rules and disciplines "concerning the applicability of the basic principles of GATT 1994."¹⁶ As the Appellate Body itself has noted, national treatment is one of these principles.¹⁷

17. The United States also notes that the EC itself supported this view in the dispute *US – Section 211*. Before the Appellate Body, the EC argued breaches of national treatment under the TRIPS Agreement by pointing to findings in a dispute involving the national treatment obligation with

¹³ See *US Opening Oral Statement at Second Panel Meeting*, para. 9; Council Regulation (EC) 693/2003 of 8 April 2003, p. 2. Exhibit Comp-1h.

¹⁴ Appellate Body Report, *US – Section 211*, para. 242.

¹⁵ Appellate Body Report, *US – Section 211*, para. 242.

¹⁶ Second paragraph, preamble, TRIPS Agreement.

¹⁷ Appellate Body Report, *US – Section 211*, para. 242.

respect to goods under Article III:4, *US – Section 337*.¹⁸ Further, at the panel stage of that dispute, the EC argued that:

the language of Article 3.1 of the TRIPS Agreement on "National treatment" is based on Article III(4) of the General Agreement on Tariffs and Trade ("GATT"). However, while national treatment in GATT attaches to goods - not to the respective owners of the goods - it attaches under TRIPS to the person of the right holder. This modified "attachment" *is systematically linked to the territorial character of intellectual property rights. In the EC view, the vast jurisprudence on Article III(4) of GATT, under the GATT dispute settlement system as well as under the WTO dispute settlement system, may give valuable insight for the interpretation of Article 3.1 of the TRIPS Agreement.* In any event, the basic feature contained in Article 3.1 of the TRIPS Agreement would appear to be straight forward. *A WTO Member cannot treat a national of another WTO Member in relation to an intellectual property right which its IPR system offers less favourably than it treats its own nationals in relation to such an intellectual property right.*¹⁹

18. Further, the EC states at paragraph 27 that "so far, Article 3.1 of the TRIPS Agreement has never been applied on a *de facto* basis." What the EC apparently means is that no TRIPS dispute thus far has involved *de facto* discrimination. This is true, since this is only the third dispute in which a breach of national treatment under TRIPS has been alleged, and only the second in which it is a significant issue. What the EC seems to imply, however, is that there should *be* no *de facto* analysis, and that national treatment in the goods area is not instructive with respect to any *de facto* analysis in the TRIPS context.

19. But this implication is wrong, and is contrary to the Appellate Body's instruction in *US – Section 211* that such findings may well be useful. Incidentally, in a dispute involving a breach of most favored nation treatment obligations under the *General Agreement on Trade in Services* ("GATS") – which, like the TRIPS Agreement, contains national treatment and MFN obligations based on treatment of *persons* instead of *goods* – the Appellate Body specifically looked for guidance to MFN findings in the goods area.²⁰ Citing *European Economic Community - Imports of Beef from Canada*,²¹ in which the panel found *de facto* discrimination, the Appellate Body found that the MFN obligation with respect to treatment accorded certain *persons* under the GATS Agreement "should be interpreted to include *de facto*, as well as *de jure*, discrimination."²² Also relevant in this context, the Appellate Body interpreted the "person-based" MFN obligation as including *de facto* discrimination in part because the language did not exclude such an interpretation, stating that

The obligation imposed by Article II [the MFN obligation] is unqualified. The ordinary meaning of this provision does not exclude *de facto* discrimination. Moreover, if Article II was not applicable to *de facto* discrimination, it would not be difficult -- and, indeed, it would be a good deal easier in the case of trade in services, than in the case of trade in goods -- to devise discriminatory measures aimed at circumventing the basic purpose of that Article.²³

¹⁸ See Appellate Body Report, *US – Section 211*, para. 48.

¹⁹ Panel Report, *US – Section 211*, para. 4.108 (emphasis added).

²⁰ Appellate Body Report, *EC – Bananas*, paras. 232 - 233.

²¹ Adopted 10 March 1981, BISD 28S/92, paras. 4.2-4.3.

²² *EC – Bananas*, para. 233.

²³ *Id.*, para. 233. See also Appellate Body Report, *Canada – Autos*, in which the Appellate Body, citing its findings in *EC – Bananas*, reversed the panel and found that, despite the lack of express language, whether subsidies were contingent on the use of domestic over foreign goods should be determined on a *de facto*, and not

20. In analyzing the national treatment obligation under the TRIPS Agreement, the Appellate Body specifically endorsed an approach that asked whether there is differential treatment of nationals and whether that treatment "could be considered to provide a less favourable treatment to nationals of other Members as it denies *effective equality of opportunities*" to those nationals.²⁴ It is therefore relevant for this Panel to ask, for instance, whether the EC GI Regulation, with respect to French nationals claiming GI rights in a French cheese and US nationals claiming GI rights in a US cheese, is denying "effective equality of opportunities" to those US nationals. In this context, the EC's argument that the TRIPS Agreement national treatment obligation would always require that the treatment of pharmaceutical patent holders be compared to the treatment of motor vehicle part patent holders is irrelevant for purposes of this dispute.

21. Finally, it is untrue that the complainants have focused in this dispute purely on discrimination based on the origin of the goods, and not on discrimination between nationals.²⁵ The United States will not reiterate all of its arguments here, but only notes that there is a strong link between the nationality of the person able to apply for GI registration/protection, and whether that person can take advantage of the "domestic track" for registration or is relegated to the "foreign" track for registration under the GI Regulation. The EC has also confirmed in the TRIPS Council that what it believes to be equal treatment with respect to producers of non-EC based GI is required by the national treatment obligation of the TRIPS Agreement.²⁶

22. The EC's second tack in responding to the Panel's question concerning *de facto* discrimination is to conjure a false "conflict" between the obligations under the GATT Article III and TRIPS Agreement Article 3.1. As the United States has already noted, however, there is nothing unusual about a measure being covered by two different sets of obligations, and there is nothing about this situation that requires anything other than the normal approach to the interpretation of the agreement provisions. More particularly, there is nothing in this situation that presents any kind of "conflict." Certainly, nothing in this situation would support narrowing the obligations in one or the other of the agreements at issue. Further, the United States reiterates that the lack of a general Article XX exception in the TRIPS Agreement – but the specific inclusion of particular exceptions in Article 3.2, based on the Paris Convention and on language similar to Article XX(d) – can only be regarded as deliberate.

Questions 104-105

23. The United States refers to its response to Panel's question 104, concerning the interpretation of "separate customs territory Member of the WTO", and offers only the following comments on the EC's response. First, there is nothing in the word "separate" that suggests that the term "customs territory Member of the WTO" (which "separate" modifies), can only mean a subpart of a country. The word "separate" can, and in context does, just as equally mean separate from other WTO Members (*i.e.*, the EC as a WTO Member "separate" from its EC member States, who are also WTO Members), and "separate" in the sense of "separate" from "country" Members of the WTO. There is no question that the EC's customs territory is "separate" from that of France, or Italy, or any of the other 23 member States – it is a distinct customs territory that is separate from that of the countries that make up the EC. Indeed, it would be odd to think that a customs union was not intended to create a customs territory separate from that of its constituent Members. Indeed it is clear from

just *de jure*, basis. It is also interesting to note that in that dispute, the EC was arguing in favor of a *de facto* analysis of the MFN obligations in the GATS. Appellate Body Report, *Canada – Autos*, para. 175.

²⁴ Appellate Body Report, *US – Section 211*, para. 258 (emphasis added).

²⁵ EC's Response to Second Set of Panel Questions, para. 32.

²⁶ EC Response to Second Set of Panel Questions, para. 15; *See* US comment above on EC response to question 97, above.

Article XXIV:8(a) of the GATT 1994 that a customs union creates a "separate" customs territory since it defines a customs union as the "substitution of a single customs territory for two or more customs territories." The single customs territory is "separate" and distinct from the two or more customs territories for which it substitutes.

24. Second, although the EC Treaty has a concept of EC "citizenship" as applied to natural persons, it does not confer any nationality itself, and does not contain any concept of "nationality" as applied to legal persons. Further, what the EC itself may consider to be "nationals" and what are considered "nationals" under the WIPO administered treaties listed in Article 1.3 of the TRIPS Agreement – which apply only to countries, and not to entities like the EC – are two different things.

Question 106

25. The United States has presented to the Panel substantial information and argument demonstrating that, particularly in the area of agricultural products and foodstuffs, it is *EC* nationals that claim rights in *EC-based* GIs, and *non-EC* nationals that claim rights in *non-EC-based* GIs. Consequently, a regulation that discriminates based on where a person is established producing GI products discriminates based on nationality.²⁷ Four months after the United States submitted its first submission to this effect, on April 23, 2004, the EC has not been able to present a single example of a non-EC national claiming rights in an EC-based GI (*i.e.*, quadrant 2 of China Taipei's model in the US response to Panel question 101). This is in spite of the fact that it is the EC, and not the United States, that has the best access to the relevant information and the relevant private and public sector stakeholders who would know. If there were such persons, the EC would certainly have informed the Panel and the complainants.

26. In other words, not only are there no non-EC-based GIs registered under the EC GI Regulation – compared to over 600 EC-based GIs – but there is also no indication whatsoever that any non-EC national has been able to become a rightholder in any EC-based registered GI. Effectively, non-EC GI rightholders have simply been shut out by the requirements of the EC GI Regulation.²⁸

27. Further, the EC appears to concede, at paragraph 51, that there is no further information available that would shed any additional light on this question. Therefore the information presented to the Panel demonstrates that the EC GI Regulation distinguishes based on nationality and accords less favorable treatment to non-EC nationals than it accords to EC nationals.

28. As a final point, the EC claims "at the outset" that the Panel is wrong to focus on the nationality of the GI "applicant", since, according to the EC, the "conditions for applicants are a procedural modality of the application process" and the applicant is not identical with the rightholder. This is wrong. Under the GI Regulation, the applicant is a group or a natural or legal person that applies to register the agricultural products or foodstuffs "*which it produces or obtains*". Article 5(2) of the GI Regulation. It is clear that the applicant is the GI rightholder for that product. It is thus perfectly appropriate to inquire into the nationality of that person, as the Panel has done.

²⁷ The United States has also argued that it is not critical to a finding of a breach of national treatment under the TRIPS Agreement that the Panel find, as a matter of fact that there are no non-EC nationals claiming rights to EC-based GIs, or EC nationals claiming rights to non-EC GIs. See US Response to Panel Questions 101-103.

²⁸ Although the EC cites two examples of one EC member State national owning companies in another EC member State, there is no indication that, even in those cases, the producing companies were not incorporated in the EC member State in which they are established.

Question 107

29. The EC again appears to claim that, simply because the GI Regulation does not use the word "national" (which is the only reasonable way to understand the EC's conclusory mantra that the Regulation "does not involve any discrimination on the basis of nationality"), it cannot breach national treatment obligations. The EC behaves as if the legal and practical requirement that a legal person become a "national" in order to establish itself in the EC producing agricultural products and foodstuffs is a mere accident or coincidence, and thus irrelevant. But practical and legal considerations – primarily on the face of the GI Regulation, but also in conjunction with other legal and practical factors – mean that EC nationals can have their GIs registered and protected under the GI Regulation, while non-EC nationals cannot. Such a situation spells out a breach of national treatment under the TRIPS Agreement and the Paris Convention.

Question 112

30. For the reasons submitted in its response to this question, there *is* a requirement under the GI Regulation to recognize any country that satisfies the conditions in Article 12(1) of the GI Regulation, contrary to the EC's response.

Question 114

31. *Paragraph 68.* The United States notes that, contrary to the implications of the EC, Article 12a(2)(a) requires the WTO Member to determine whether a GI application satisfies the requirements of the GI Regulation, not of the TRIPS Agreement; this is not a determination of whether the GI falls under the definition of a GI under Article 22.1 of the TRIPS Agreement. There are obvious differences between the definition of a GI in the GI Regulation and the definition in the TRIPS Agreement, and the GI Regulation imposes a host of requirements that have no relation to the TRIPS Agreement definition of a GI.²⁹

32. *Paragraph 69.* In this response, the EC confirms the US argument in response to the Panel's question 128, that the EC is not simply allowing other WTO Members to determine whether the GI Regulation requirements, including inspection structures, are satisfied. Rather, having required other WTO Members to establish inspection structures and to determine whether the GI Regulation's requirements are met, the EC unilaterally reserves to itself the overriding power to decide whether the WTO Member's determination is right or wrong.

Question 115

33. The EC confirms that, for purposes of objections under the Regulation, the person that is "from a WTO Member country" is the same as the person who is "resident or established in the WTO Member country." In turn, this is the same person that the EC itself describes as the "national" of the WTO Member who had to be granted the right to object in order to comply with the TRIPS Agreement.³⁰ The United States does not see how the EC can maintain that the person resident or established in a WTO Member is considered a "national" of that Member for purposes of objections, but that the same person established and producing a product in that same WTO Member is not a "national" of that WTO Member when it comes to submitting applications for GI protection.

²⁹ E.g., Articles 2(3)-2(6), 3(2), 4, 5(1), and 10, to name but a few GI Regulation requirements that are not related to the TRIPS definition of a GI.

³⁰ See US Opening Oral Statement at Second Panel Meeting, para. 9; Council Regulation (EC) 693/2003 of 8 April 2003, p. 2. Exhibit Comp-1h.

Particularly since the EC maintained the exact opposite – that such a person *is* a national of that WTO Member – when trying to justify the TRIPS-consistency of the GI Regulation in TRIPS Council.³¹

Question 116

34. The United States notes the EC's indifference to whether other WTO Members have the legal competence to determine whether the requirements of the EC's GI Regulation are satisfied, and reiterates its view that it is not clear on what basis other WTO Members can deem or not deem that the requirements of other WTO Members' laws are met. This is a separate question from whether it is necessary that the WTO Member itself, rather than the rightholder, demonstrate that a GI is protected in the country of origin.³² The United States also reiterates that, contrary to the assertions of the EC, what the GI Regulation requires is not a determination of whether a GI applicant meets the TRIPS Agreement definition of a GI; rather, Article 12a(2) of the GI Regulation requires on its face that the WTO Member determine that all of the GI Regulation's requirements are met.

35. Finally, the United States notes that the EC here, and not for the first or last time³³ in this proceeding, mischaracterizes the United States as having acknowledged that what the EC characterizes as the "transmission" of GI applications and objections are "purely ministerial": they are not, as even the EC acknowledges in its responses to the Panel's questions.³⁴ In the passage that the EC incorrectly and repeatedly seizes upon, the United States was responding to a specific hypothetical Panel question that "from a practical point of view ... it would probably not be difficult to designate an office in the US government to perform *a purely ministerial act* of transmitting registration applications and objections to the EC."³⁵ But, as the United States made plain in the following paragraph of the same response, what the GI Regulation requires is far from a "purely ministerial act". Therefore, the EC errs in claiming that the United States regards the EC GI Regulation's requirements as a purely ministerial act.

36. *Paragraph 77.* As discussed below in the US comments with respect to questions 135 and 136, the EC has provided no convincing reason why the EC cannot itself assess whether the requirements of the EC GI Regulation have been met, on the basis of information provided by the rightholder.

37. *Paragraphs 78-80.* The United States submits that unilaterally forcing other WTO Members to establish particular inspection structures and to determine whether a GI application meets the requirements of the EC GI Regulation is, in no sense of the word, "cooperation".

Question 120

38. If the EC is correct that current country of origin marking requirements satisfy the requirements of Article 12(2) of the GI Regulation, then it is not clear what Article 12(2) adds or why a specific provision burdening non-EC GI products is necessary.

³¹ See US comment to EC response to Panel question 97, above.

³² See US comment to EC response to Panel Question 136, *infra*.

³³ This mischaracterization is repeated a number of times in the EC's responses.

³⁴ *E.g.*, paragraph 139 of the EC Response to the Second Set of Panel Questions, in which the EC says that "by transmitting the application, the government of the country of origin certifies that it deems the requirements of Article 12a(2) [which, *inter alia*, requires a determination that all the requirements of the GI Regulation have been met] to be fulfilled."

³⁵ US Response to First Set of Panel Questions, para. 74 (emphasis added).

Question 126

39. *Paragraph 103.* The United States submits that the distinctions drawn by the EC with respect to when "third countries" includes WTO Members and when it does not are not supported by the very text of the Regulation itself.

Question 127

40. The United States notes that this response emphasizes the burden being placed on other WTO Members with respect to the establishment of particular inspection structures, without any indication of why it is necessary that the WTO Member itself establish such structures, as the Panel's question asks.

Question 131

41. The Panel asks a direct question: whether any EC Directives "require foreign involvement in the designation/approval of conformity assessment bodies, when mutual acceptance agreements in the conformity assessment area do not already exist." In response, the EC discusses and provides examples of cases in which importing countries have agreed to allow conformity assessment bodies in the territory of another WTO Member to assess conformity with the importing country's regulations. But the EC fails to address the Panel's question, because the approach taken by the GI Regulation is apparently unprecedented as well as WTO-inconsistent. The United States submits that there is a substantial difference between an importing WTO Member allowing another WTO Member, as an option, to designate conformity assessment bodies on its own territory to assess conformity with regulations of the importing country (or a mutual agreement to that effect), and a WTO Member unilaterally requiring other WTO Members to establish particular inspection structures as a condition of meeting the importing country's regulatory requirements.

Questions 135 and 136 [EC's Article XX(d) Affirmative Defense]

42. A few initial comments are appropriate with respect to the Article XX(d) issue. Apparently for tactical reasons, the EC decided to present virtually no information or arguments with respect to its GATT 1994 Article XX(d) affirmative defense until its second submission on July 22, 2004. This meant that the United States' first opportunity to respond to the EC's Article XX(d) arguments was in its oral statement at the second Panel meeting. In that oral statement, the United States presented a full response to the EC's arguments, demonstrating that the EC had failed even to argue most of the elements required by Article XX(d):³⁶ the EC did not argue that the measures at issue were "to secure compliance" with laws or regulations (instead arguing generally only their relation to the "objectives" of the EC GI Regulation and to its "implementation"), and did not identify the "laws or regulations" with which the measures were supposedly designed to secure compliance that were consistent with the GATT 1994. Further, the United States demonstrated that the GATT-inconsistent measures were not "necessary" in any sense, showing that there are other measures reasonably available to the EC (indeed, showing that the EC itself had identified such measures in attempting to show that its GATT-inconsistent measures had some parallels with other measures used by the EC, the United States and other WTO Members).

43. Finally, in response to the EC's unsupported single-sentence assertion that its GATT 1994-inconsistent measures met the requirements in the chapeau to Article XX(d), the United States argued that these measures are applied in a manner which constitutes a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail or a disguised restriction on trade. As the United States explained, the requirements of the GI Regulation mean that any country

³⁶ US Opening Oral Statement at Second Panel Meeting, paras. 51-61.

that protects GIs in the same manner as the EC – with EC-style inspection structures and with legal mechanisms for assessing whether the requirements of the GI Regulation are satisfied – may obtain registration and protection of its GIs. Those WTO Members that do not have such systems cannot obtain such protection. These are countries where the same conditions prevail, but, because the EC favors countries that protect GIs the way it does, the EC arbitrarily and unjustifiably discriminates between them.

44. The Panel's questions 135 and 136 are designed to extract from the EC the arguments and information that it should have presented, but failed to present, as its affirmative defense. As discussed further below, the EC continues to fail to show that it qualifies for the Article XX(d) exception with respect to the issues raised by the Panel. But to the extent that open questions remain with respect any of these issues, the United States submits that the Panel should be cognizant that it was the EC's burden to present convincing information and arguments that its WTO-inconsistent measures are nonetheless justified by an Article XX(d) exception. There may be many unanswered questions and incomplete arguments in the EC's responses to the Panel's questions, and the cost of not making the Article XX(d) arguments clear at this stage must, in the US view, be borne by the EC.

45. Further, the United States notes that the EC has presented no information or argument whatsoever – not in any closing oral statement at the second Panel meeting, and not even in response to the Panel's questions – to rebut the US arguments that its GATT-inconsistent measures do not satisfy the requirements of the *chapeau* to Article XX(d) – that is, that they are applied in a manner that which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail or a disguised restriction on trade. Since the EC has failed even to attempt to rebut these arguments, and keeping in mind the Appellate Body's instruction that panels may not make a case for a party,³⁷ the United States requests that the Panel find that the EC has failed to show that its GATT-inconsistent measure satisfies the requirements of Article XX(d).

Question 135 [Article XX(d)'s requirement that the measure be a "measure to secure compliance with laws or regulations which are not inconsistent with the provisions of [the GATT 1994]."]

46. *Paragraph 122.* The relevant "measures" for which the Panel should assess compliance with Article XX(d) are the requirements of the GI Regulation that the United States alleges are inconsistent with the GATT 1994. These include the reciprocity and equivalence requirements of the GI Regulation, as well as the requirements that WTO Members assess compliance of GI applications with the EC GI Regulation and certify certain information to the EC concerning the application and concerning the WTO Member's GI protection system, and that the WTO Members satisfy various EC requirements related to inspection structures. These heavy burdens placed on WTO Members, which have been set out in detail in the US submissions, oral statements, and responses to questions in this dispute, are not simply "verification" and "transmission" of GI applications, as suggested by the EC.

47. *Paragraph 125.* The EC states that the function of the inspection structures is to secure compliance with the requirement in Article 4(1) of the GI Regulation that products bearing a protected name comply with a "product specification" (and the similar requirement in Article 8 of the GI Regulation). But the contents of the "product specification" are listed in Article 4(2) of the GI Regulation, and it is not clear how the requirement for specific "inspection structures" relate to securing compliance with those specifications. Specifically, and considering each of the "product specifications" in Article 4(2) of the GI Regulation, the requirement for inspection structures does not appear to have any relation to securing compliance with

³⁷ See Appellate Body Report, Japan - Measures Affecting Agricultural Products ("Japan - Agricultural Products"), WT/DS76/AB/R, adopted 19 March 1999, para. 129 (stating that it is the complainant's burden to make a *prima facie* case, and that a panel is not entitled to "make the case for the complaining party.")

- (a) the name of the product – which would appear to simply be a fact allowing the product to be registered
- (b) a description of the physical characteristics of the product – which should be verifiable from an examination of the product itself upon importation: either the product has the characteristics or it does not (and, in any case, those characteristics would not be more readily verified through on-site inspections than through other means)
- (c) definition of the geographic area – which is just a definition and not susceptible to "inspection"
- (d) evidence that the product originates in the area – either there is or is not evidence that the product originates in an area; the evidence can be evaluated upon application, and inspection structures could not be considered to "secure compliance" with such evidence
- (e) description of method of obtaining the product – to the extent this is relevant for particular names, it would seem that this factor would be reflected in the product itself, considering that the Article 2(2) definition concerns "quality or characteristics" of the product.
- (f) link between geography and the product – again, there either is or is not a link between the two: inspection structures will not "secure compliance" with such a link
- (g) details of inspection structures – it is non-sensical to require inspection structures to secure compliance with inspection structures
- (h) specific labeling details – like the "name", this simply reveals how the product will be labeled; inspection structures will not secure compliance with these details
- (i) any other requirements – it is not clear how inspection structures would secure compliance with these unspecified requirements

48. In sum, contrary to the EC's arguments, there appears to be little or no relationship between the "product specifications" in Article 4(2) and the "inspection structures" that the EC claims are designed to "secure compliance" with those specifications. Indeed, with respect to several "specifications" it is not even clear what "securing compliance" means. To the extent the concept of "securing compliance" is relevant at all with respect to the Article 4(2) "specifications" – for instance, how does one secure compliance with a "name" or a "geographic area" – the inspection structures do not appear at all suited to securing any such compliance. The United States submits that the EC has not sustained any burden of showing that the requirement for inspection structures "secures compliance" with the specifications.

49. Further, although the EC argues that the inspection structure requirement is to "secure" compliance with the "product specifications", it does not show how the "product specifications" constitute "laws or regulations which are not inconsistent" with the GATT 1994, which Article XX(d) requires. For instance, the "product specifications" include details of required inspection structures, which the United States has shown is GATT-inconsistent.

50. *Paragraph 126.* The EC states that "verification (and incidentally also the transmission)" of the application by the country of origin serve the purpose of establishing whether the requirements of

the GI Regulation are satisfied. But regardless of whether this is the purpose, having the WTO Member assess whether an application meets the EC GI Regulation's requirements, and requiring the WTO Member to transmit the application to the EC, along with other documents and declarations required under Article 12a(2) of the GI Regulation, do not "secure compliance" with the GI Regulation. At best, such requirements solicit the WTO Member's view as to whether, in the case of a particular applicant, an applicant meets the standards set in the EC GI Regulation and require the communication of that view to the EC (however irrelevant, since it is the EC, and not the WTO Member, that makes the determination as to whether a GI will be registered). Whether or not a particular product satisfies the legal requirements of the EC GI Regulation – and therefore may be registered and protected in the EC – is a legal judgement based on the facts presented as applied to the legal provisions of the GI Regulation. It has nothing to do with whether a product or the applicant is "complying" with the Regulation. So, neither aspect of this measure – neither the so-called "verification" (actually an assessment of whether the Regulation's requirements are met under Article 12a(2)), nor "incidentally also the transmission" – have anything to do with "securing compliance", as required by GATT Article XX(d).

51. *Paragraph 127.* The EC claims that the requirement that foreign GIs be burdened with a country of origin label "secures compliance" with the requirement that foreign GIs may only be granted with due regard for local and traditional usage and the practical risks of confusion. The EC also claims that this requirement secures compliance with the requirement that only qualifying products may use a "GI" label. With respect to the first point, it is, in part, the very fact that *foreign* GIs, and not *domestic* GIs, have to bear the burden of removing risks of confusion that give rise to the WTO breach in the first place. This labeling requirement is not, therefore, in any sense securing compliance with a WTO-consistent regulation. To the contrary, it is making the discriminatory nature of the requirement more concrete. As to the second point, the United States fails to see any relation between this country of origin labeling requirement and the requirement that a product comply with the Regulation in order to bear a protected GI. Further, this requirement does not satisfy the requirement in the *chapeau* to GATT Article XX(d) that the GATT-inconsistent measure not be "applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or a disguised restriction on international trade." EC member States, as well as other WTO Members, are all equally situated with respect to making sure that the consumer is able to distinguish between GI products. Therefore it is arbitrary and unjustifiable to require that only non-EC GIs bear the burden bearing the distinctive country of origin label.

52. *Paragraphs 128-129.* While the EC is correct that Article XX(d) refers to measures to secure compliance, and not "enforcement mechanisms" *per se*, it is plain that the WTO-inconsistent requirements of the EC GI Regulation are neither "enforcement mechanisms" nor measures "to secure compliance". Rather they appear to be part of a process intended to assess whether applications from non-EC GI holders should be accepted – a process that creates enormous burdens for foreign GIs – that is not justified under Article XX(d).

53. *Paragraph 130.* The EC's argument is circular. The EC claims that the GI Regulation itself is the WTO-consistent regulation with which the WTO-inconsistent requirements noted above are designed to secure compliance. But the EC GI Regulation itself is not consistent with the WTO – that is what this dispute is about. Therefore, despite the Panel's direct question, it is still unclear as to what WTO-consistent "laws or regulations" the WTO-inconsistent requirements of the EC GI Regulation are supposed to ensure compliance.

Question 136 [Whether the measures are "necessary" to ensure compliance].

54. *Paragraph 131.* The EC has referred to its requirements under Article 12a(2) – that other WTO Members assess whether applications from their nationals meet the requirements of the EC GI

Regulation, provide a description of the legal basis for protection of the GI in the country of origin, file a declaration that the EC-mandated inspection structures are established on their territory, and submit all other relevant documents – simply as "verification", presumably to minimize the appearance of the extent of the responsibility being placed on other WTO Members by the EC. But EC reacts with some alarm at the Panel's suggestion that what is at stake is simple "verification" that the GI at issue is protected in its country of origin. Therefore, the EC responds to the Panel's question by attempting to justify broader Article 12a(2) requirements, not just those related to whether the GI is protected in its country of origin.

55. But none of the EC's responses show that the requirements of Article 12a(2) are "necessary" in any sense. The EC says that assessment of whether the application complies with the requirements of the EC GI Regulation – that is, not only the requirement that it be protected in the country of origin, but the substantive requirements, concerning, *e.g.*, whether the product possesses the required characteristics – requires local knowledge, which "typically" only the country of origin will have. It is not clear whether knowledge of local conditions *is* necessary, but even if it is, the EC itself only believes that the country of origin will "typically" have such information. The GI Regulation leaves no option for countries that do not have such information. The EC's own justification is thus a virtual admission that the WTO Member itself will not necessarily have more or better information than other parties (for instance the rightholder). Further, the EC claims that on-site checks "may also" be required, which the EC could not carry out without consent of the country of origin. But this answer suggests that such on-site inspections are not necessary under the GI Regulation. If so, it is unclear what remains of the EC's argument that the involvement of the WTO Member is "necessary" on the basis of on-site inspections that themselves are *not* necessary. Further, whether the WTO Member consents or not to the EC's on-site checks is not at issue: the GI Regulation does not anticipate or even permit such an option. If it did, this would be another matter. Consequently, there is no basis for finding that the Article 12a(2) requirements are in any sense "necessary".

56. The United States notes in this connection that, even in the case of measures to protect human or animal life or health falling within the scope of the *Agreement on the Application of Sanitary and Phytosanitary Measures* ("SPS Agreement"), the SPS Agreement states that where such a measure "specifies control at the level of production, the Member in whose territory the production takes place shall provide the necessary assistance to facilitate such control and the work of the controlling authorities."

57. *Paragraph 133.* In essence, the Panel asks why the GI Regulation cannot provide an opportunity to the rightholder itself to show that his GI is protected in the country of origin. The EC's non-response is that it does not appear that a US rightholder would be able to present an "authenticated certificate of registration." But this response is irrelevant, and demonstrates a bias against non-EC systems of GI protection. There is no reason that the GI Regulation could not permit other, equally valid methods for the rightholder to establish that his GI is protected in the country of origin. The assumed absence of a particular document is no excuse to deny to the rightholder the opportunity to prove entitlement to registration and protection in other ways (ways that WTO Members other than the EC currently use to effectively protect GIs).

58. *Paragraphs 135 - 138.* Referring to Article 24.9 of the TRIPS Agreement – allowing WTO Members not to protect GIs that are not protected in their country of origin – the EC claims that absence of an EC-style specific GI registration system in other WTO Members makes it "particularly necessary" that the relevant WTO Member "verify" the GI application, in particular showing that the GI is protected in the country of origin. But, to the contrary, it is the widespread existence of those non-registration systems among the WTO Membership that makes it important to impose this requirement on the rightholder, not the WTO Member itself. In the absence of a central registration system, it is the rightholder, not the government, that will be in the best position to provide the legal provisions and the usage on the basis of which his GI is protected in the country of origin. For

instance, it is the rightholder, not the government, who will know whether there has been a judicial decision upholding protection of his GI. It is the rightholder, not the government, who can provide information on the usage of his GI in the country of origin.

59. The United States suggests that the Panel be particularly wary of this line of reasoning from the EC, as it amounts to a "back-door" method of imposing the EC's system of GI protection on other WTO Members as a condition of providing GI protection. As the United States has explained elsewhere, the TRIPS Agreement specifically provides leeway to WTO Members in implementing their obligations. Article 1.1 states that "Members shall be free to determine the appropriate method of implementing the provisions of this Agreement within their own legal system and practice." The need for this freedom is particularly obvious in the area of GIs, where there is a broad variety of methods of providing protection.³⁸ Yet, the EC GI Regulation, by requiring the WTO Member, instead of the rightholder, to show that the GI is protected in the country of origin, essentially requires WTO Members to adopt a centralized system similar to the registration system adopted by the EC, nullifying Article 1.1 of the TRIPS Agreement unilaterally. Members that do not have an EC-style system – but that protect GIs through, for instance, unfair trade statutes or common law certification mark systems – are not in as good a position as the rightholder to demonstrate that the GI is protected, and yet are penalized under the EC GI Regulation. Indeed, the EC itself recognizes that it is penalizing systems for GI protection that are different from the EC system, when it admits, at paragraph 135, that persons with GIs from WTO Members that do not protect GIs through an EC-like GI-specific registration system may find it more difficult to meet the EC's requirements.

60. The Panel should also consider the full consequences of the EC's argument. The EC claims that, in addition to the registration system for GIs, it also protects GIs through unfair trade laws and laws against deceptive advertising. The United States wonders whether the EC would be satisfied if the United States refused to allow EC nationals to file applications for GI certification marks for certain names or to use unfair trade laws with respect to those names unless the EC could show that those specific names were registered as GIs in Europe. Yet that is exactly what the EC is requiring of other WTO Members in the GI Regulation.

61. *Paragraphs 139-141.* The EC has no real response to the question of why it is necessary for the WTO Member, instead of the rightholder, to "transmit" the GI application, other than to claim, incorrectly, that the United States admits that this would be a "purely ministerial act" and that "it would not appear to have a significant impact on imports". But, as the United States made perfectly plain in the very response that the EC repeatedly and incorrectly cites,³⁹ what the EC GI Regulation requires is not a purely ministerial act of transmission: to the contrary, the EC GI Regulation imposes substantial requirements on WTO Members with respect to GI applications of its nationals.⁴⁰ Further, the EC even admits, in paragraph 139 of its response, that "by transmitting the application, the government of the country of origin certifies that it deems the requirements of Article 12a(2) [which, *inter alia*, requires a determination that all the requirements of the GI Regulation have been met] to be fulfilled." What the EC has failed to answer is the key question asked by the Panel: why is it necessary for the WTO Member, instead of the rightholder to submit the application?

³⁸ See, e.g., "Document SCT/6/3 Rev. on Geographical Indications: Historical Background, Nature of Rights, Existing Systems for Protection and Obtaining Protection in Other Countries," World Intellectual Property Organization (WIPO) Document SCT/8/4 (April 2, 2002) (Exhibit US-5); "The Definition of Geographical Indications," WIPO Document SCT/9/4 (October 1, 2002) (Exhibit COMP-16).

³⁹ As noted above, the United States responded to a specific hypothetical Panel question that "from a practical point of view ... it would probably not be difficult to designate an office in the US government to perform a purely ministerial act of transmitting registration applications and objections to the EC." (Para. 74. **Emphasis added.**) But, as the United States made plain in the following paragraph of the same response, what the GI Regulation requires is far from the "purely ministerial act". Therefore, the EC is wrong to claim that the United States regards the EC GI Regulation's requirements as a purely ministerial act.

⁴⁰ US Response to First Set of Panel Questions, para. 75.

62. *Paragraphs 142-144.* The EC offers no answer whatsoever to the Panel's direct question of why it is "necessary" for WTO Members to transmit objections to the EC, other than to claim that it is purely ministerial (which, despite the EC's mischaracterization of the US responses to the Panel questions, it is not), and that it "does not have any significant impact on trade in goods." But the issue under Article XX(d) of the GATT 1994 is whether the measure is "necessary to secure compliance" with a WTO-consistent law or regulation, not whether the EC believes that the requirement will have a significant trade impact or whether it is "purely ministerial". Indeed, panels and the Appellate Body have emphasized that a breach of Article III:4 of the GATT 1994 does not require a showing of an actual trade impact.⁴¹ If this is the best the EC can do to meet its Article XX(d) burden, the EC's non-response only adds weight to the conclusion that such a requirement is not necessary.

63. The United States also notes that, the EC's statement to the contrary notwithstanding, the United States has included deficiencies in the GI Regulation's right of objection as a part of its arguments under the GATT 1994.⁴²

64. *Paragraph 145.* Article 6(6) of the GI Regulation, which applies to EC-based GIs, only requires that there be a "clear distinction in practice" between the two EC-based homonyms, without any specific requirement of country of origin labeling. This is an admission in the GI Regulation itself that a requirement for country of origin labeling is not "necessary", since it apparently is unnecessary with respect to EC-based GIs.

65. *Paragraphs 146-149.* The EC has presented no reasons why it could not itself designate inspection bodies in the United States or conduct its own inspections. The EC suggests that, somehow, because such inspections may require on-site audits and inspections, these options are not possible. But the United States does not see why either of those options is inconsistent with the possible need for on-site inspections or audits.

66. The Panel did not ask why the EC does not itself conduct the inspections, but the EC nevertheless volunteers that any such option would require the agreement of the WTO Member concerned. But this does not appear to present any impediment to the EC itself conducting its own inspections in relation to the requirements of its own Regulation. The EC offers no suggestion that Members would object to such inspections. Indeed, the EC's citation to the WTO Antidumping and SCM Agreements⁴³ confirms the groundlessness of the EC's objections. It is true that the Antidumping and SCM Agreements provide rules related to on-site verifications in the exporting country of information provided to the importing country's antidumping and countervailing duty administrators. However, those agreements did not provide the "right" to carry out those verifications. Long before these agreements were in place, both the EC and the United States conducted such on-site verifications in the exporting country as part of antidumping and countervailing duty investigations. The only thing that changed as a result of the Antidumping and SCM Agreements is that those verifications were subjected to certain disciplines. Consequently, it is simply untrue that, in the absence of a specific WTO agreement, the EC cannot provide for on-site inspections outside of the EC.

67. Finally, it is equally untrue that the EC GI Regulation requirements are fully compatible with the practices of the parties in the field of conformity assessment, as asserted by the EC. The United States does not see the relevance of the EC's reference to its response to Panel question 127, but the

⁴¹ See US Response to First Panel Questions, para. 65, *citing*, *US – Gasoline*, *US – Section 337*, *US – FSC (Article 21.5)*.

⁴² See, e.g., US Second Written Submission, paras. 89-95.

⁴³ Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 and Agreement on Subsidies and Countervailing Measures, respectively.

United States is aware of the normal practice that importing countries impose their own inspection requirements in the territory of the importing country, as necessary, to ensure that imported products meet any applicable requirements. *See* US Response to Second Set of Panel Questions, paragraphs 50-51. Even where on-site inspections of manufacturing facilities are required, as is the case, for instance, with respect to pharmaceutical manufacturing facilities, such on-site inspections are primarily carried out by the administering authorities of the importing country. In addition, consistent with the TBT Agreement, an importing party may agree to accept the results of conformity assessment procedures conducted in the exporting country, and may designate conformity assessment bodies in that territory for that purpose.⁴⁴ However, this is very different from a situation in which the exporting WTO Member is required to establish inspection structures as dictated by the importing country, as is required under the GI Regulation.

68. *Paragraph 152.* Again, the EC offers no reason that WTO Members themselves must establish specific inspection structures, instead of permitting the rightholder to provide the necessary assurances, including through independent inspections. The EC merely asserts, with no reason or justification, that inspection bodies can only carry out their functions "through some form of public oversight." But this is a conclusion without reasons, and is insufficient to demonstrate that such a requirement is "necessary".

69. *Paragraph 153.* As above, the EC offers no reason why it could not itself conduct any necessary inspections or designate bodies that could. It is of course, irrelevant that EC producers may have to pay for inspections; nothing would prevent requiring appropriate payment from non-EC producers.

70. *Paragraphs 154-155.* In these paragraphs, the EC is simply attempting to back away from the rigid inspection requirements imposed on non-EC WTO Members that are plainly set out in Article 10 of the EC GI Regulation.

Overview of Comments to Trademark Questions 137-156

71. To assist the Panel in considering the specific US comments on each of the EC responses with respect to trademark rights, which are set out further below, the United States believes it useful to present the following initial overview of those comments.

72. The United States argues that the GI Regulation deprives the owner of a registered trademark of its ability to prevent third parties from using identical or similar signs in a manner that results in a likelihood of confusion, as required by Article 16.1. The EC essentially acknowledges that the GI Regulation is inconsistent with TRIPS Article 16.1 when, at paragraph 166 of its responses, it states that it "can confirm that a trademark owner cannot prevent the holders of a registered geographical indication from using the name or names registered under Regulation 2081/92 on the grounds that the use of such name or names is confusing per se with an earlier trademark." This is a clear admission that the GI Regulation is inconsistent with Article 16.1. In its defense, the EC then justifies this departure from the requirements of Article 16.1 in four ways:

- Article 14(3) of the GI Regulation prevents registration of GIs that are confusingly similar to prior registered trademarks, thereby preserving the Article 16.1 rights of trademark owners.
- TRIPS Article 24.5 allows for the coexistence of a GI with an earlier registered trademark.

⁴⁴ *See* US Response to Second Set of Panel Question, para. 50.

- TRIPS Article 24.3 prevents the EC from implementing the protections of TRIPS Article 16.1 because it would "diminish the protection of geographical indications that existed in that Member immediately prior to the date of entry into force of the WTO Agreement."
- TRIPS Article 17 allows for the elimination of the TRIPS Article 16.1 rights as a "limited exception."

73. None of these explanations is sufficient to justify departure from the strict requirements of TRIPS Article 16.1.

EC GI Regulation Article 14(3)

74. The EC's reliance on Article 14(3) as a rough substitute for a trademark owner's Article 16.1 rights is misplaced in several respects. In sum, even if the EC's reading of Article 14(3) is correct, the provision does not grant trademark owners the right to prevent "use[s] in the course of trade" of identical or confusingly similar signs. Importantly, however, the EC's reading of Article 14(3) is incorrect, and inconsistent with how the provision has been interpreted by the EC outside the confines of this dispute.

75. As the United States has shown, merely enabling the EC authorities to deny registration of a GI that is identical or confusingly similar to a valid prior registered trademark is not sufficient. In its comments, the United States demonstrates that not all (and in fact not many) trademark owners will be entitled to challenge before EC or member State courts the failure by the EC authorities to use Article 14(3) to deny registration of particular GIs. For example, GIs registered via accession treaties are not subject to invalidation pursuant to Article 14(3), and therefore any trademarks with which such GIs are confusingly similar are not provided Article 16.1 rights.

76. Additionally, Article 16.1 requires Members to grant trademark owners the right to prevent "us[es] in the course of trade" that result in a likelihood of confusion with respect to their trademarks. The EC's reliance on Article 14(3) presupposes that a trademark owner will necessarily be able to know, at the time of registration, every way in which a GI rightholder will use the registered name, and how consumers in any given territory in the EC will perceive that use. The United States has shown that a trademark owner will not necessarily so know. Nonetheless, the EC makes clear that to enjoy its Article 16.1 rights, the owner of a trademark in one member State can not simply seek to enjoin "use[s] in the course of trade" of an identical or similar GI that confuse consumers in that one member State, but must first invalidate the GI on an EC-wide basis, on a showing that consumers EC-wide are confused (presuming, incorrectly, that Article 14(3) includes a "likelihood of confusion" standard).⁴⁵ Thus, even if the EC's reading of Article 14(3) were correct, it would not constitute an adequate substitute for Article 16.1 rights.

77. Moreover, and putting these points aside, the EC's argument that Article 14(3) is essentially a "likelihood of confusion" standard is simply not supportable. The plain wording of Article 14(3) demonstrates that it requires a different standard from likelihood of confusion: Article 14(3) enables the EC authorities to deny registration of a GI where the GI would "mislead the consumer" with respect to a prior trademark, in light of that trademark's reputation, renown and length of time of use. The "likelihood of confusion" standard and the "mislead the consumer" standard are clearly distinguished elsewhere in EC law, and the use of one over the other in the EC GI Regulation is not accidental.

⁴⁵ See Exhibit US-73, pg. 6 (the EC "examines consumer confusion ... with respect to the whole European public.").

78. Finally, the EC Guide to the GI Regulation confirms that Article 14(3) grants authority to deny registration "only in one circumstance" – when faced with a prior valid trademark that enjoys reputation, renown and use. While the EC argues that the reference in Article 14(3) to reputation, renown and use are merely shorthand references to a few of the factors involved in a likelihood of confusion analysis, the United States has shown that in EC and member State law and jurisprudence, those three elements are not necessary to find a likelihood of confusion. They are, however, prerequisites to the denial of registration for a GI, under Article 14(3). In the EC's view, these prerequisites in Article 14(3) even override the presumption, in TRIPS Article 16.1, that use of an identical sign on identical goods raises a likelihood of confusion. The EC goes so far as to state that a trademark owner cannot enjoin use of an identical GI on identical goods, unless it can show that the trademark has been used and is known to the public in the EC.⁴⁶

Article 24.5

79. The EC continues to argue that Article 24.5 is not an exception to GI protection, despite the fact that (1) by its very terms, Article 24.5 limits the protection of GIs *vis-à-vis* trademarks, thereby constituting an exception to GI protection (and not to trademark protection); and (2) Article 24.5 is a part of Article 24, which is labeled "international negotiations; exceptions". As an exception, Article 24.5 acts as a shield for covered trademarks against GIs, and contains no provisions for limiting trademark rights. The EC's reliance on Article 24.5, apparently by negative implication, as allowing for coexistence of trademarks and conflicting GIs denies the drafters' ability to specifically provide for coexistence when coexistence is intended.

Article 24.3

80. By its terms, Article 24.3 has no place in a discussion as to whether the obligations of Article 16.1 are met. It is telling that the EC failed to answer the direct question from the Panel as to whether an obligation to diminish the pre-existing protection of GIs in order to allow trademark owners to exercise their rights under Article 16.1 would arise under Article 16.1 or the GI section. The Panel's question derives from the fact that TRIPS Article 24.3 prevents diminishment of protection for GIs that could be caused by "implementing this Section", referring to Part II, Section 3 of the TRIPS Agreement. It follows that any diminishing of GI protection that could arise by virtue of implementation of another section of the TRIPS Agreement, including the trademark section, is not prohibited by Article 24.3.

Article 17

81. The immunity provided to GI owners for the use of registered GIs is far from being a "limited exception" to the Article 16.1 trademark rights under Article 17 of the TRIPS Agreement. The EC GI Regulation in fact provides for a blanket, or unlimited, exception to the protections of Article 16.1. The EC seems to defend the exception as being "limited" because it would only be an exception in a limited number of cases. That is not what is required by Article 17: it must be a limited exception even if it is an exception with respect to only one trademark.

82. Further, the GI Regulation does not take into account the interests of anyone other than producers of certain agricultural products. In responding to the question as to what the "legitimate interests of the owner of the trademark" are, the EC begins with the remarkable statement that "[a] trademark which has never been used or which is virtually unknown ... could be easily replaced without significant prejudice to the owner." This reveals an utter failure to take into account the interests of the trademark owner, much less the population of consumers who would undoubtedly be

⁴⁶ EC Responses to Questions following the Second Panel Meeting, para. 220.

confused by having, for example, identical terms used on identical products side-by-side on the grocery store shelves.

83. Lastly, the EC's defense of the GI Regulation implies that all uses of registered GIs must be automatically entitled to the "fair use" exception by simple virtue of registration alone, without considering the facts of a particular case or whether such "use" is actually "fair". Especially given that non-geographic terms can be registered pursuant to the GI Regulation, it is difficult to understand how all uses of a registered GI can be unequivocally deemed "fair". One problem is that the GI Regulation provides blanket rights to use the GI rather than considering each particular use on a case-by-case basis, as is the case under the trademark laws of the EC and other jurisdictions the EC references in its responses. The EC offers the possibility that a trademark owner may resort to particular labeling and misleading advertising laws, as well as member State unfair competition laws. But even if recourse to such laws were possible, they do not consider the interests of trademark owners in the manner required by TRIPS Article 17; they may be sufficient to meet the general obligations of Article 10*bis* of the Paris Convention, but they are not sufficient to meet the specific trademark obligations under the TRIPS Agreement.

84. US comments with respect to each of the EC's responses to Panel questions follows.

Question 137

85. As it has throughout this dispute, the EC ignores fundamental problems with its argument that Article 14(3) serves as an adequate substitute for TRIPS Article 16.1. As the United States has frequently noted, Article 14(3) merely enables the *EC authorities* to deny *registration* of a GI. Moreover, the EC is enabled by Article 14(3) to do so "only in one circumstance" – when faced with a prior valid trademark that enjoys reputation, renown and use.⁴⁷ In contrast, TRIPS Article 16.1 requires the EC to grant *trademark owners* the right to prevent confusing "*use[s] in the course of trade*" of identical or similar signs. Nor are Article 16.1 rights limited only to those trademarks that enjoy reputation, renown and use.

86. The EC's response to the Panel's question can be distilled down to two related statements. First, the EC states that under Article 14(3) of the EC GI Regulation, "the EC authorities will refuse a proposed geographical indication [*if it is anticipated* that, when used in what the United States calls 'trademark-like fashion', it will result in a likelihood of confusion."⁴⁸ Similarly, the EC asserts that "[i]n principle, a name which has been found not to be confusing *per se* following the assessment required by Article 14(3) should not give rise to confusion when used subsequently."

87. Putting this "principle" to the test, however, demonstrates the critical error in the EC's assertion that Article 14(3) adequately substitutes for TRIPS Article 16.1 rights. The EC asserts that if a GI is not *per se* confusingly similar to a prior valid registered trademark at the time the GI is registered, then it is impossible that unanticipated uses that raise a likelihood of confusion could subsequently arise.

88. The fact is, however, that confusing uses not foreseen at the time of application for, and registration of, a GI can arise. As the United States has explained, a trademark owner will not necessarily know, at the time of registration, what uses a GI rightholder will employ, or how

⁴⁷ Guide to Community Regulations, "Protection of Geographical Indications, Designations of Origin and Certificates of Specific Character for Agricultural Products and Foodstuffs" (Working Document of the Commission Services issued by the European Commission Directorate-General for Agriculture, August 2004), pg. 24. Exhibit EC-64.

⁴⁸ EC Responses to Questions following the Second Panel Meeting, para. 161 (emphasis added).

consumers in a particular territory will perceive those uses. This is so for several reasons, two of which the United States addresses below.

89. First, the United States has shown that product specifications – *if* available for review by trademark owners⁴⁹ – do not necessarily contain the "specific labelling details" that the EC asserts will offer definitive and circumscribed guidance on those uses of the GI that may arise and would be permitted or specifically prohibited.⁵⁰ Even if a product specification did include "specific labelling details" limiting the presentation of the sign on a product label, it is evident that the manner in which a GI is presented on a product label, on the one hand, and how that GI is marketed or promoted, on the other hand, can be two very different things. Labelling details included in a product specification have no necessary bearing on how the GI is used in marketing or promotion of the sign.⁵¹

90. Second, the EC acknowledges that a GI registration gives authorized users the right to use the registered term in a manner that is considerably more than merely descriptive.⁵² Under the TRIPS Agreement, this is perfectly acceptable, as long as such use does not breach other provisions of the Agreement. The United States does not in any way, as the EC seeks to imply,⁵³ suggest otherwise. This point simply illustrates that the range of uses that a rightholder in a GI registered in the EC is authorized to employ is not necessarily readily apparent at the time of registration. It also demonstrates that there is not nearly as clear a distinction as the EC implies between use of the sign registered, which it says is authorized, and use of "other names,"⁵⁴ which it says is not authorized. Nor is it, as the EC suggests, a simple matter of distinguishing between the sign registered and "deformed, mutilated or otherwise manipulated" use of that sign.⁵⁵ The EC's acknowledgment that a GI rightholder is entitled to use the term in a "trademark-like" fashion shows that the universe of potential and authorized uses of the sign registered is not a finite concept, and is certainly not evident at the time of registration. If uses that would confuse consumers in a particular territory with respect to an identical or similar prior registered trademark arise at some later date, Article 16.1 grants the owner of that trademark the right to enjoin them. Article 14(3) does not.

91. The United States makes one final observation on the EC's response. Oddly, the EC repeats its assertion that three GIs registered pursuant to the Czech Republic's Act of Accession to the EU are "outside the Panel's terms of reference."⁵⁶ As the Panel is aware, the United States is challenging the consistency of the EC GI Regulation itself with TRIPS Article 16.1. It has not raised claims against the three Czech GIs.⁵⁷

92. Although it is clear that a complainant need not show actual application of a measure in contravention of an obligation, much of the EC's first written submission was devoted to its view that

⁴⁹ The United States notes that in many instances, the product specifications are withheld or otherwise not available. US Responses to Questions following the Second Panel Meeting, para. 65.

⁵⁰ See US Opening Oral Statement at Second Meeting, para. 78, and Exhibit US-77.

⁵¹ It is possible that the labeling details included in a product specification might speak more generally about marketing of the product in general, such as the Bitto product specification included in Exhibit EC-99. However, as the Panel will note, other product specifications, including those in Exhibits EC-101 and US-77, do not always include such limits.

⁵² See EC Oral Statement at Second Meeting, para. 184; EC Responses to Questions following the Second Panel Meeting, para. 161.

⁵³ EC Oral Statement at Second Meeting, paras. 161, 180.

⁵⁴ See EC Responses to Questions following the Second Panel Meeting, para. 167.

⁵⁵ EC Responses to Questions following the Second Panel Meeting, para. 162.

⁵⁶ EC Responses to Questions following the Second Panel Meeting, para. 157. See also EC Second Written Submission, para. 292.

⁵⁷ Of course, as noted below, the Panel's findings could affect trademark rights in future disputes regarding infringing uses of these GIs.

the US and Australian claims under TRIPS Article 16.1 are "purely theoretical."⁵⁸ According to the EC, this is either because trademarks containing or consisting of geographical elements lack distinctiveness and are as such not registrable (thus making the possibility of conflicts with identical or similar registered GIs unlikely), or because Article 14(3) would prevent the registration of any GI that raises a likelihood of confusion with a prior registered trademark.

93. To demonstrate that its claims were not "purely theoretical," the United States, in response to a request from the Panel to disclose the names of any registered GIs that are identical or confusingly similar to EC trademarks, offered several examples,⁵⁹ including the three Czech GIs.⁶⁰ The United States noted that the rightholders in the three GIs are asserting a right, based on the registration, to use these three names in translation,⁶¹ in a way that has in some jurisdictions been found to raise a likelihood of confusion with respect to prior valid registered trademarks.⁶²

94. Moreover, the United States has noted that Article 14(3), which the EC has asserted provides protection for *all* prior registered trademarks against registration of confusingly similar GIs, does not in fact protect all such trademarks. In its comments on the EC response to question 142, below, the United States shows how significant numbers of trademarks and trademark owners will not be accorded any rights under Article 14(3). As one example, the United States has noted that GIs (like the three Czech GIs) registered *via* acts of accession are immune from challenges to their validity on the basis of Article 14(3), even if they are identical or confusingly similar to prior registered trademarks.⁶³

95. Thus, it is not relevant whether the three Czech GIs, or the other examples cited by the United States, are within the Panel's terms of reference. The United States has used those GIs as illustrations of the manner in which the EC GI Regulation operates and the scope of protection granted by registration under the Regulation, and as a means of rebutting erroneous factual assertions made by the EC about its law in the course of this dispute. They are relevant to the Panel's "objective assessment of the facts of the case," within the meaning of Article 11 of the DSU. Moreover, to the extent that the Panel's findings address the rights that should be accorded trademark owners *vis-à-vis* particular uses of identical or similar GIs on identical or similar goods and services, those findings would be relevant to trademark rights in future disputes regarding infringing uses of those example GIs.

Question 138

96. The United States submits that the phrase "[w]ith due regard to Community law" in Article 14(2) of the EC GI Regulation, also refers to the provision in Article 142 of Regulation (EC) No. 40/92, which the EC describes as meaning that the relationship between trademarks and GIs is controlled by the GI Regulation.

⁵⁸ EC First Written Submission, para. 277

⁵⁹ US Responses to Questions following the First Panel Meeting, para. 79; US Second Written Submission, para. 169; US Oral Statement at Second Panel Meeting, para. 74.

⁶⁰ US Responses to Questions following the First Panel Meeting, paras. 77-78. *See also* US Second Written Submission, para. 134; US Responses to Questions following the Second Panel Meeting, para. 68.

⁶¹ Exhibit US-53.

⁶² US Responses to Second Set of Panel Questions, para. 70, Exhibits US-81 through US-83. As a result, the EC's statement that "the United States does not argue that any of [the three Czech names] gives rise to a likelihood of confusion with the name 'Budweiser'" is in error. *See* EC Responses to Questions following the Second Panel Meeting, para. 157.

⁶³ *See* US Closing Statement at Second Panel Meeting, para. 18; US Responses to Questions following the Second Panel Meeting, para. 68 (note 36).

Question 139

97. Paragraph 166 of the EC's response essentially constitutes an admission that the GI Regulation is inconsistent with TRIPS Article 16.1:

The EC can confirm that a trademark owner cannot prevent the holders of a registered geographical indication from using the name or names registered under Regulation 2081/92 on the grounds that the use of such name or names is confusing *per se* with an earlier trademark.

98. Article 16.1 grants trademark owners the right to enjoin uses of identical or similar GIs that raise a likelihood of confusion. The EC denies trademark owners that right, and thus violates Article 16.1.

99. The EC continues, in paragraph 167, to state that two factors qualify the right to use the registered GI. First, the EC states that "the right to use the registered name does not confer a right to use other names not covered by the registration, or to use the registered name together with other signs or as part of a combination of signs."⁶⁴ As the United States noted in its comment on the EC response to question 137, however, a distinction between use of the sign registered, and use of "other signs," simply begs the question of what uses of the registered sign are authorized. The EC has noted that registration confers the right to use a GI in a manner that is considerably more than merely descriptive. Specifically, the EC has stated that registration confers the right to use the GI in a "trademark-like sense."⁶⁵ While this is in principle perfectly legitimate under the TRIPS Agreement, it demonstrates that potential uses of the GI are broad, and that the owner of an identical or similar prior registered trademark will not necessarily be aware of all potential uses at the time of registration – much less which of those uses will be considered confusingly similar by consumers in a given territory. Therefore, as required by Article 16.1, the owner needs the opportunity to enjoin those uses "in the course of trade" as they arise.

100. Second, the EC states that labeling, misleading advertising, and unfair competition laws qualify the right to use a registered GI. However, those laws are not adequate substitutes for Article 16.1 rights. The EC does not argue that those laws permit a trademark owner to enjoin use of identical or similar signs that raise a "likelihood of confusion."

101. In paragraph 169, the EC states that registration of a GI "establishes a legal presumption that the use of that name as a geographical indication does not give rise *per se* to a likelihood of confusion with an earlier trademark . . ." The EC continues, stating that "[i]n order to be able to exercise its trademark rights the trademark owner must rebut first that legal presumption by invalidating the registration of the geographical indication." The legal basis to do so, according to the EC, is found in Article 14(3) of the GI Regulation.

102. Under TRIPS Article 16.1, however, the owner of a registered trademark has the right to enjoin confusing uses of identical or similar signs. Nothing in Article 16.1 suggests that this right is contingent on the owner first rebutting any presumption created by the subsequent registration of a confusingly similar sign under the EC GI Regulation. (In fact, Article 16.1 includes a presumption that operates in precisely the opposite manner implemented by the EC in the GI Regulation. With respect to uses of identical signs on identical goods or services, Article 16.1 presumes that the competing sign raises a likelihood of confusion.)

⁶⁴ EC Responses to Questions following the Second Panel Meeting, para. 167.

⁶⁵ See EC Oral Statement at Second Panel Meeting, para. 184; EC Responses to Questions following the Second Panel Meeting, para. 161.

103. Nor is there anything in Article 16.1 that requires the trademark owner to first "invalidate" any intellectual property rights associated with the similar sign before enjoining a use of that sign that confuses consumers in a given territory. As the United States has previously observed, under Article 16.1, rather than seeking invalidation of a GI registration on an EC-wide basis, the owner of an identical or similar prior trademark registered in one EC member State is entitled to prevent particular "uses" of the GI that confuse consumers in that member State.⁶⁶ The EC has previously stated that to invalidate a GI on an EC-wide basis, the owner of a trademark would need to prove that consumers are confused "with respect to the whole European public."⁶⁷

104. For these reasons, invalidating a GI registration under the standard included in Article 14(3) involves a considerably higher showing than would be required simply to enjoin particular uses "in the course of trade" that confuse consumers in a particular member State, under Article 16.1 (or rather, as implemented in EC law, under Article 5 of the EC Trademark Directive).⁶⁸ Article 14(3) is not, therefore, an adequate substitute for Article 16.1.

105. The EC notes, in paragraphs 163 and 170, that some WTO Members may require the owner of a prior registered trademark to first invalidate a later similar or identical trademark before pursuing an infringement claim against the latter mark. The United States' claims in this dispute involve the consistency of the EC GI Regulation alone with TRIPS Article 16.1. Other Members' measures are not at issue in this dispute.

106. The United States also notes, however, that the provisions of other Members' laws cited in footnote 68 to the EC's response are not analogous to Article 14(3). In those instances, the grounds for invalidating a later-in-time trademark are the same as the grounds for establishing infringement with respect to an earlier-in-time trademark.⁶⁹ As noted in paragraph 163 of the EC's response, the

⁶⁶ US Responses to Questions following the Second Panel Meeting, para. 69; US Closing Statement at Second Meeting, para. 17.

⁶⁷ Exhibit US-73, pg. 6.

⁶⁸ The United States also reiterates that while Article 16.1 provides rights to owners of all registered trademarks, Article 14(3) provides those rights only to owners of trademarks that enjoy reputation, renown and use. *See* Guide to Community Regulations, "Protection of Geographical Indications, Designations of Origin and Certificates of Specific Character for Agricultural Products and Foodstuffs" (Working Document of the Commission Services issued by the European Commission Directorate-General for Agriculture, August 2004), pg. 24. Exhibit EC-64.

⁶⁹ As is a consistent theme in this case, the EC tells only part of the story – leaving the Panel with an incomplete and misleading picture of relevant law and legal principles. All of the countries whose laws are cited to in footnote 68 of the EC's response are members of the Commonwealth and have historical ties to the United Kingdom. Hence, the law of the United Kingdom is representative of the general approach taken to this matter by the countries whose laws are cited to by the EC. As noted in the excerpt of the United Kingdom's Trade Marks Act 1994 cited to by the EC (Section 11(1)), the provision is subject to Section 47 of that Act on declaration of invalidity of registration. Section 47(2) provides that "[t]he registration of a trade mark may be declared invalid on the ground ... that there is an earlier trade mark in relation to which the conditions set out in section 5(1), (2) or (3) obtain." Section 5(1) and (2) read as follows:

(1) A trade mark shall not be registered if it is identical with an earlier trade mark and the goods or services for which the trade mark is applied for are identical with the goods or services for which the earlier trade mark is protected.

(2) A trade mark shall not be registered if because— (a) it is identical with an earlier trade mark and is to be registered for goods or services similar to those for which the earlier trade mark is protected, or (b) it is similar to an earlier trade mark and is to be registered for goods or services identical with or similar to those for which the earlier trade mark is protected, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the earlier trade mark.

grounds for invalidating the later-in-time mark are that it is confusingly similar to an earlier-in-time mark, which is of course also the standard for establishing infringement, under national laws implementing TRIPS Article 16.1.

107. The grounds included in Article 14(3) for invalidation of a GI, however, are not the same as the grounds for establishing infringement with respect to a prior registered trademark. Indeed, as noted above, the national trademark laws cited to by the EC include precisely the Article 16.1 standard as the basis for determining whether a trademark should be registered over an earlier trademark. The grounds included in Article 14(3) and 16.1 differ in two important respects.

108. First, and as noted above, in determining whether to deny registration under Article 14(3), the EC "examines consumer confusion ... with respect to the whole European public."⁷⁰ In contrast, in determining whether use of a similar sign raises a likelihood of confusion with respect to a trademark registered in one EC member State, courts determine whether consumers in that member State are confused. The EC Trademark Regulation provides for relative grounds of refusal of a Community trademark application in Article 8. The owner of an earlier trademark may file an opposition (Article 42) or invalidation action (Article 52) against the registration of a confusingly similar Community trademark. Article 8(1)(b) provides: Upon opposition by the proprietor of an earlier trade mark, the trade mark applied for shall not be registered:

if because of its identity with or similarity to the earlier trade mark and the identity or similarity of the goods or services covered by the trade marks there exists a likelihood of confusion on the part of the public *in the territory in which the earlier trade mark is protected*; the likelihood of confusion includes the likelihood of association with the earlier trade mark." (emphasis added)

109. The EC Trademark Regulation itself therefore provides that the likelihood of confusion must be assessed with regard to the territory in which the earlier trademark is protected. According to Article 8 (2) of the Trademark Regulation, an earlier trademark is not only an earlier Community trademark, but also includes a trademark registered in an EC member State. Hence, assessing whether a likelihood of confusion exists between a trademark application and an earlier trademark registered in an EC member State requires an examination of whether a likelihood of confusion exists with regard to the public in that particular member State.⁷¹

Section 47(6) then provides that "[w]here the registration of a trade mark is declared invalid to any extent, the registration shall to that extent be deemed never to have been made."

⁷⁰ Exhibit US-73, pg. 6.

⁷¹ See, e.g., Case T-99/01, *Mystery/Mixery*, 15 January 2003, para. 37 ("In this case, given that beverages in Class 32 are everyday consumer items and that the earlier mark on which the opposition is based is registered and protected in Germany, the relevant public by reference to which the likelihood of confusion must be assessed is composed of average consumers in that Member State."); Case T-104/01, *Fifties/Miss Fifties*, 23 October 2002, para. 29 ("In this case, given the nature of the goods concerned (denim clothing) which are everyday consumer items, and the fact that the earlier mark on which the opposition is based is registered and protected in Spain, the targeted public by reference to which the likelihood of confusion must be assessed is composed of average consumers in Spain."); Case T-10/03, *Conforflex/Flex*, 18 February 2004, para. 39 ("In this case, given the nature of the goods concerned, namely items of bedding and bedroom furniture, which are everyday consumer items, and the fact that the earlier marks are registered and protected in Spain, the target public with reference to which the likelihood of confusion must be assessed is composed of average consumers in Spain."). These decisions, which were similarly cited in footnote 74 to the US Responses to Questions following the Second Panel Meeting, are available at <http://europa.eu.int/jurisp/cgi-bin/form.pl?lang=en>. See also OHIM Board of Appeal, Case R 433/2002-3, *Tei-Fu/Tai-Fun*, 11 December 2002, para. 26 ("The assessment of whether the public will either confuse the marks in competition or make a connection between the proprietors of those signs and confuse them, given the existence in the market of the mark applied for and the earlier trade mark, must therefore be carried out from the perspective of the relevant public in Germany because

110. Second, as the United States has previously demonstrated, Article 14(3) does not include the "likelihood of confusion" standard applied in infringement cases. Rather, Article 14(3) adopts a "mislead the consumer" standard. As noted in paragraph 104 of the US responses to the Panel's questions, the words "mislead" and "confusion" have different meanings – the former used in the EC GI Regulation in the sense of affirmatively leading the public to believe something about the product that is not true, and the latter used in Article 16.1 in the sense of a failure or inability to distinguish.

111. Moreover, as noted in paragraph 88 of the US responses to the Panel's questions, the EC Trademark Regulation and Trademark Directive differentiate between the two standards.⁷² Accepting that "liable to mislead" in Article 14(3) actually means "likelihood of confusion" would require the Panel to overlook the objective fact that those standards are expressly differentiated in EC trademark law.

Question 140

112. In paragraphs 177-178, and Exhibits EC-99 through EC-102, the EC offers "approved specifications" for four cheeses referred to in Exhibit US-52.⁷³ The United States makes several observations.

113. The Panel had asked the EC "what uses ... the registrations ... permit." The EC has not answered the Panel's question. Labeling specifications do not necessarily dictate or limit how or in what ways the GI may be marketed or promoted, as the United States has already noted in its comment on the EC response to question 137.

114. Moreover, the "labeling details" included in the specifications do not offer much guidance to a trademark owner trying to figure out whether, at the time of registration, the GI could one day be used in a manner that raises a likelihood of confusion. The specification for Esrom, for example (Exhibit EC-101) merely states that the label "must *contain*" particular words. It does not say that the label must consist of those words and only those words. The specification does not state that the label may not also include other words or signs, in addition to those that the label "must contain." The labeling details for Bra (Exhibit EC-102) are also not specific, and merely state that "the product must be marketed with the label of the relevant manufacturers' consortium." There are no limits placed on what that label can contain or consist of; there is no guidance regarding how to determine what the "relevant" manufacturers' consortia are, or any depiction of what their GI might look like in use on a consortium's label. Even more dramatic are the product specifications included in Exhibit US-77, which contain nothing more than a name or the word "PGL."

115. In none of these instances would the owner of a similar or identical trademark be able to tell, from the registration and product specification itself, that the rightholder is authorized to use the registered GI in the manner displayed in the pictorial depictions included in Exhibit US-52. The simple point is that until the registered GI is used, the trademark owner will not necessarily know how

of the fact that the opposition is grounded on a national trade mark registration in this Member State.") (also cited by the United States, at footnote 77, and available at: http://oami.eu.int/LegalDocs/BoA/2002/en/R0433_2002-3.pdf.

⁷² Compare Article 50.1(c) of EC Regulation 40/94 with Article 9.1(b) of that same measure. Exhibit COMP-7. Compare also Article 12.2(b) of EC Directive 89/104/EEC with Article 5.1(b) of that same measure. Exhibit COMP-6.

⁷³ The United States offered specifications received from the EC authorities for these four cheeses, in Exhibit US-52. Exhibits EC-99 through EC-102 contain additional pages, some of which are historical in nature and which appear to speak to production methods, rather than offering guidance on the manner in which the sign registered can or must be used.

it will be used, or if it will confuse consumers in a particular territory. For this reason alone, Article 14(3) is not an adequate substitute for TRIPS Article 16.1.

116. The Panel has asked the EC how far the positive right to use a registered GI extends "before it can be challenged under labeling and misleading advertising laws." Whatever the threshold, one thing is clear – the EC has not established that EC and member State labeling and misleading advertising laws, as well as unfair competition laws, include the same "likelihood of confusion" standard contained in TRIPS Article 16.1.⁷⁴

117. To illustrate where the threshold falls, the EC refers to the Bayerisches Bier case, and states as follows:

[I]f the holder of a geographical indication which has a right to use a certain name (say "Bayerisches Bier") were to use it in a manner which imitates the label or the packaging of the products of a trademark ("Bavaria"), this could be considered as a breach of the laws on labeling and unfair competition, even if the constituent elements of the label or the packaging, other than the trademark itself, were not covered by any intellectual property rights.⁷⁵

118. This example entirely misses the United States' point. The owner of the BAVARIA trademark has the right, under Article 16.1, to enjoin any use of a sign similar to "Bavaria" that raises a likelihood of confusion for consumers in a given territory. The trademark owner's right is not limited to the ability to enjoin uses of a label or packaging that is similar to that included on its products. Rather, it has the right, under Article 16.1, to enjoin use of any identical or similar sign – a word, for example – that raises a likelihood of confusion. As the EC makes clear with its example, EC and member State labeling and misleading advertising laws, as well as unfair competition laws, do not provide this right. Instead, they provide the right to prevent "imitating" uses not of the sign itself, but of the sign in conjunction with other elements or other elements of the labeling or packaging that do not necessarily include the sign at all.

119. The examples cited in paragraph 182 of the EC's response make a similar error. According to the EC, EC and member State labeling and misleading advertising laws, or unfair competition laws, would prohibit use of a GI "used together with other signs or statements that suggested or indicated that the geographical indication is in fact the trademark of a producer." Again, the right in Article 16.1 is to enjoin use of an identical or similar sign, as such, that raises a likelihood of confusion.

Question 142

120. The United States' comments on the EC's response to this question also include comments on the EC's related responses to questions 2 and 3 from Australia.

121. The EC has asserted that if the owner of a prior registered trademark considers that the EC has registered an identical or similar GI that raises a likelihood of confusion with respect to the trademark, the owner can challenge the validity of the GI registration, on the basis of Article 14(3) of the EC GI Regulation. The EC asserts that this is a sufficient substitute for the right, under TRIPS Article 16.1, to enjoin confusing uses of identical or similar signs.

⁷⁴ Those standards are in fact different from the "likelihood of confusion" standard included in TRIPS Article 16.1. *See, e.g.*, the standards included in paragraph 143 (and notes 38-40) of the EC Responses to Questions Following the First Panel Meeting.

⁷⁵ EC Responses to Questions following the Second Panel Meeting, para. 181.

122. To begin, the United States has demonstrated that Article 14(3) does not embody the "likelihood of confusion" standard required by TRIPS Article 16.1 (*see, e.g.*, the United States' comment on the EC's response to question 139, above). Moreover, requiring a trademark owner to seek invalidation of a confusingly similar registered GI, rather than granting the owner the right to enjoin only those "uses" of the GI that confuse consumers in a particular territory, is inconsistent with Article 16.1 (*see* the United States' comment on the EC's response to question 139, above). Additionally, Article 14(3) is not available to owners of trademarks that do not enjoy reputation, renown and use. The Commission's Guide to Regulation 2081/92 unequivocally confirms this reading.⁷⁶

123. For these reasons alone, Article 14(3) does not serve as an adequate substitute for Article 16.1 rights.

124. For the sake of argument, however, the United States would like to leave these threshold points aside. Even so, however, for the ability to challenge the validity of a GI under Article 14(3) to serve as an adequate substitute for Article 16.1, the ability to challenge must be available to *owners of all valid registered trademarks*, because Article 16.1 provides rights to owners of all valid registered trademarks.

125. The ability to challenge the validity of a registered GI on the basis of Article 14(3), however, is not available to owners of all valid registered trademarks. To demonstrate this in graphic terms, the United States includes as Exhibit US-99 and US-100 two flowcharts. Exhibit US-99 is a flowchart for challenges to the validity of a GI registration brought directly to the Court of First Instance, pursuant to Article 230 of the EC Treaty. Exhibit US-100 is a flowchart for challenges to the validity of a GI registration brought to EC member State courts and then referred to the European Court of Justice ("ECJ"), pursuant to Article 234 of the EC Treaty.

126. These flowcharts demonstrate that many trademark owners will not be able to challenge the validity of a GI registration either in a case brought directly to the CFI, pursuant to Article 230 of the EC Treaty, or in a case brought to a member State court and referred to the ECJ, under Article 234.⁷⁷ The shaded boxes in the charts represent categories of trademark owners for which Article 14(3) would provide no opportunity to challenge the validity of a registered GI. These trademark owners would be denied the opportunity to challenge the validity of a GI for reasons that are not relevant grounds for denying an owner its rights under TRIPS Article 16.1. Exhibit US-101 provides a detailed explanation of the flow charts and of the inability of many trademark owners to challenge GI registrations under the EC Treaty.

127. The United States makes one brief comment on the EC's response to question 142(d). The EC has often stated that Article 14(3), supplemented by other provisions of the EC GI Regulation, provide grounds for cancellation of a GI registration on the basis that the GI is identical or confusingly similar to a prior trademark. Yet, in its response to question 142(d) (at paragraph 189), the EC states that the "grounds for cancellation mentioned in Articles 11 and 11a are *exhaustive*."⁷⁸

⁷⁶ Guide to Community Regulations, "Protection of Geographical Indications, Designations of Origin and Certificates of Specific Character for Agricultural Products and Foodstuffs" (Working Document of the Commission Services issued by the European Commission Directorate-General for Agriculture, August 2004), pg. 24. Exhibit EC-64.

⁷⁷ The United States notes that over the period 1999-2003, EC member State courts referred a total of 8 intellectual property cases to the ECJ, pursuant to Article 234. These statistics are available in the ECJ's annual reports, titled "Statistics of Judicial Activity of the Court of Justice," at <http://curia.eu.int/en/instit/presentationfr/index.htm>. In each annual report, the statistics are maintained in Table 11, in the column "References for a preliminary ruling".

⁷⁸ Emphasis added.

The grounds for cancellation included in Articles 11 and 11a do not address cancellation based on likelihood of confusion with a registered trademark.

Question 143

128. The United States simply notes that the EC offers absolutely no documentary support for its assertion⁷⁹ that the Council, in considering the relevance of Article 14(3) in the Bayerisches Bier, considered factors other than whether valid prior registered trademarks for BAVARIA enjoyed reputation, renown and use.

Question 145

129. The United States and the EC agree that the coverage of Article 24.5 is not necessarily limited to the specific articles mentioned in the Panel's question (*i.e.*, Articles 22.2, 22.3, 23.1, and 23.2).⁸⁰ The agreement between the United States and EC, however, appears to end there.

130. The EC continues to argue that Article 24.5 is not an exception to GI protection, this time with the qualifier that Article 24.5 is not a "genuine exception" like those in Articles 24.4, 24.6, 24.7, and 24.8.⁸¹ While the EC points to nothing in Article 24 of the TRIPS Agreement that supports a distinction between "genuine exceptions" and other, presumably "non-genuine" exceptions, the United States notes that the EC now apparently includes Article 24.4 as a "genuine exception", while at the same time leaving Article 24.9 off the list, in contrast to its second written submission, where Articles 24.6-24.9 (but not Article 24.4) were considered exceptions by the EC.⁸² These unsupported and rapidly-changing characterizations of clearly-labeled exceptions to GI protection in Article 24 do nothing to contradict the understanding derived from an analysis of Article 24.5 based on the ordinary meaning of the terms, in their context, in light of the object and purpose of the TRIPS Agreement. Through such an analysis, the United States has demonstrated, in part, that (1) by its very terms, Article 24.5 limits the protection of GIs *vis-à-vis* trademarks, thereby constituting an exception to GI protection; and (2) Article 24.5 is a part of Article 24, which is labeled "international negotiations; exceptions", and it is undisputed that Article 24.5 does not relate to "international negotiations."⁸³

131. The EC states that Article 24.5 "imposes self-standing [positive] obligations with respect to the protection of trademarks" and therefore is not an "exception" to GI protection.⁸⁴ As the United States has explained, Article 24.5 does not accord self-standing rights to trademarks, since it simply limits the ability of GIs to prejudice trademarks.⁸⁵ The two examples presented by the EC in paragraph 199 of their response to the panel's question confirm this interpretation, as they demonstrate

⁷⁹ EC Responses to Questions following the Second Panel Meeting, para. 191.

⁸⁰ EC Response to Panel Question 145, para. 197; US Response to Panel Question 145, note 42.

⁸¹ EC Responses to Panel Question 145, para. 198.

⁸² EC Second Written Submission, para. 314.

⁸³ See US Opening Statement at Second Meeting, para. 94; US Second Written Submission, paras. 171-173; US Response to Panel Question 78, paras. 107-113. The Appellate Body has interpreted provisions based in part on their place in the overall structure of the covered agreement at issue, giving careful consideration to the headings or titles of the sections in which the provisions appear. See Appellate Body Report, *Canada-Dairy*, para 134 ("A strong presumption arises that the language which is inscribed in a Member's Schedule under the heading, 'Other terms and Conditions', has some *qualifying* or *limiting* effect on the substantive content or scope of the concession or commitment."); See also Appellate Body Report, *Definitive Safeguard Measures on Imports of Circular Welded Carbon Quality Line Pipe from Korea*, paras. 80-82, fn. 171; Appellate Body Report, *US – Definitive Safeguards on Measures of Imports of Certain Steel Products*, paras. 337-338; Appellate Body Report, *Argentina – Safeguard Measures on Footwear*, para. 93; Appellate Body Report, *Korea – Definitive Safeguard Measure on Imports of Certain Dairy Products*, para. 86.

⁸⁴ EC Responses to Panel Question 145, para. 200.

⁸⁵ US Opening Statement at Second Meeting, para. 95.

instances in which Article 24.5 limits the scope of GI protection *vis-à-vis* trademarks; they do not demonstrate that Article 24.5 creates self-standing obligations with respect to trademarks.

132. The EC's examples also do not provide any clarity and, if anything, argue against the proposition, put forward by the EC, that Article 24.5 "imposes self-standing [positive] obligations with respect to the protection of trademarks" and therefore is not an "exception" to GI protection.⁸⁶ The EC presents a hypothetical in which a "Member's trademark law provides that a trademark including or consisting of a geographic indication shall not be registered or, if registered, shall be invalidated."⁸⁷ They then state that while such a provision – if there were one – would go beyond what is *required* by Article 22.3 and that the obligation not to invalidate such a trademark is only found in Article 24.5. But Article 24.5 protects certain trademarks that might otherwise be prejudiced in certain defined ways by "measures adopted to implement" Section 3 of Part II of the TRIPS Agreement. Quite simply, the provision in a Member's trademark law postulated by the EC – to the extent it exists in an any WTO Member – would not appear to be a measure adopted to implement Article 22.3 of the TRIPS Agreement. Further, that article requires more than mere identity of the trademark and geographical indication – in particular it requires that the use of the indication in the trademark be "of such a nature as to mislead the public as to the true place of origin." Whether the example put forward by the EC is otherwise consistent with Article 15.2 of the TRIPS Agreement or Articles *6quinquies*, 9, 10, and *10bis* is another question. The point is that the EC's example is simply irrelevant to the interpretation of Article 24.5.

133. Similarly, the second example offered by the EC⁸⁸ is irrelevant to the interpretation of Article 24.5. The EC sets up an example that provides for a prohibition of the use of a trademark that is identical or similar to a subsequently recognized geographical indication in a manner that "goes beyond the obligation found in Article 22.2." Again, it does not appear that the EC is hypothesizing a measure "adopted to implement" Section 3 of Part II of the TRIPS Agreement within the meaning of Article 24.5. Whether such a provision would be otherwise constrained by Article 15.2 or Articles *6quinquies*, 9, 10, or *10bis* of the Paris Convention is not an issue before this Panel, however. It is sufficient to observe that the examples put forward by the EC have no basis in fact and are irrelevant to the interpretation of Article 24.5.

134. Article 24.5, by its own terms, acts as a shield for covered trademarks against GIs, and contains no provisions for limiting trademark rights. There is no rule that a provision that recognizes one right, such as with respect to trademarks, cannot be an exception to a separate obligation, such as with respect to GIs. To the contrary. Article 24.8, for example, limits GI protection in light of a person's right to use their own name, even though use of a person's name is not a form of intellectual property protected elsewhere in the TRIPS Agreement; Article 24.8 would, in this sense, clearly offer "additional protection" to the name that is not provided elsewhere in the TRIPS Agreement. Such protection, like the protection for trademarks illustrated in the examples presented in paragraph 199 of the EC's response, "does not result" from any provision of the TRIPS Agreement other than the "exception" provision. The EC has now stated twice that Article 24.8 is an exception (or "genuine"

⁸⁶ EC Responses to Panel Question 145, para. 200.

⁸⁷ The EC states that this is not a hypothetical example, citing to Section 61 of Australia's Trademark Act 1995. Once again, the EC creates a false impression by telling only part of the story. It is true that Section 61(1) of Australia's Trade Marks Act 1995 provides that the "registration of a trade mark in respect of particular goods (*relevant goods*) may be opposed on the ground that the trade mark contains or consists of a sign that is a geographical indication for goods (*designated goods*) ... " What the EC fails to mention is that Section 61, as its title clearly indicates, applies to trademarks "containing or consisting of **a false geographical indication.**" Further, its specific terms limit its application to goods "originating in: (a) a country, or in a region or locality in a country, other than the country in which the relevant goods originated; or (b) a region or locality in the country in which the relevant goods originated other than the region or locality in which the relevant goods originated."

⁸⁸ EC Responses to Panel Question 145, para. 199.

exception) to GI protection, although in view of the fact that it appears to recognize a positive right, the United States would not be surprised if the EC changed its mind on this point.

135. The EC also repeats its contention that Article 24.5 "defines in a comprehensive manner the boundary" between GIs and trademarks.⁸⁹ The United States has already explained why this is incorrect.⁹⁰ While Article 24.5 does define a boundary between GIs and trademarks, it is not *the only* boundary. By limiting the scope of GI protection *vis-à-vis* certain (but not all) trademarks, Article 24.5 certainly constitutes one boundary. Article 17, the exception to the trademark section, defines another boundary, by limiting the scope of trademark protection. The EC's understanding of the role of Article 24.5 as a "comprehensive" boundary is inconsistent with the context of an Agreement that includes separate exceptions for trademark protection and GI protection.⁹¹

Question 146

136. As a means of justifying the "co-existence" of prior registered trademarks with later, identical or confusingly similar registered GIs, the EC repeats its assertion that the simultaneous exercise of the two GI and trademark rights cited in the Panel's question "would lead to a situation where neither the trademark owner nor the right holders of the geographical indications could use the sign which is the subject matter of their respective right."⁹²

137. Yet, later in its response, the EC acknowledges that the "conflict" between the two individual rights "is resolved by Article 22.3 (and 23.2), which provides for the invalidation of the trademark, thereby effectively giving priority to the geographical indication."⁹³ Thus, it appears that the EC concedes that there is no "conflict" between the rights at issue (much less any conflict between the obligations imposed on the EC by the relevant TRIPS provisions).

138. The United States is uncertain about the meaning of the final sentence of the EC's response, which reads as follows:

This "rule of conflict", however, does not apply to "grandfathered trademarks", as defined in Article 24.5, which are subject to a different rule, as explained in the response to the preceding question.⁹⁴

The United States simply observes, as it has previously,⁹⁵ that Article 24.5 includes, for example, a requirement that trademarks subject to the Article 24.5 exception must be applied for, registered, or acquired through use "in good faith." Further, the exception in Article 24.5 prohibits prejudicing certain trademarks "on the basis that such a trademark is identical with, or similar to, a geographical indication."⁹⁶ Finally, Article 24.5 applies only to "measures adopted to implement this Section."⁹⁷

⁸⁹ EC Responses to Panel Question 145, para. 201.

⁹⁰ *See, e.g.*, US Opening Statement at Second Meeting, para. 93.

⁹¹ *See* US Responses to Panel Question 78, paras. 107-113.

⁹² EC Responses to Questions following the Second Panel Meeting, para. 204. *See also* EC Second Written Submission, para. 309.

⁹³ EC Responses to Questions following the Second Panel Meeting, para. 206. In its own response to question 146, the United States similarly stated that the "conflict" between the two rights would likely be resolved, under TRIPS Article 22.3, by denying registration of the misleading trademark (or, if registered, by making it subject to invalidity). US Responses to Questions following the Second Panel Meeting, paras. 78-81.

⁹⁴ EC Responses to Questions following the Second Panel Meeting, para. 206.

⁹⁵ US Responses to Questions following the Second Panel Meeting, para. 72 (note 41).

⁹⁶ Moreover, for purposes of this dispute, the United States' arguments are directed at those TRIPS Article 16.1 rights associated with valid trademarks, and not with the effect of Regulation 2081/92 on trademarks that are misleading as to geographic origin. *See* US First Written Submission, para. 135 ("The

Question 147

139. The EC argues that the addition of the phrase "the right to use a trademark" during the negotiating history of Article 24.5 reflects a "compromise" that "grandfathered" trademarks should not be accorded their Article 16.1 rights, but only the right to affirmative use of the mark on labels, advertising, etc. The United States has already explained in great detail, and will not repeat here, why the EC's statement is incorrect and unsupported by an interpretation of the phrase "prejudice ... the right to use a trademark" according to the customary rules of treaty interpretation.⁹⁸

140. By contrast, as the United States explained in its response to Question 147, the evolution of Article 24.5 is entirely consistent with the suggestion that the inclusion of language clarifying that Article 24.5 applied only with respect to "measures adopted to implement [the GI] Section", was part of the compromise arrived at in agreeing that Article 24.5 would be a mandatory provision.

Questions 148 and 149

141. It would be contrary to all of the evidence in this dispute to accept the EC's assertion that:

The assessment made by the EC authorities under Article 14(3) is analogous to the assessment carried out by the EC trademark authorities in order to establish whether the use of a later trademark will give rise to likelihood of confusion with an earlier trademark. When applying Article 14(3), the registering authorities, or the courts, as applicable, must take into account all relevant factors, including in particular the similarity of goods and signs. As explained, length of use, reputation and renown are mentioned expressly in Article 14(3) because geographical indications, when used as trademarks, are primarily descriptive and non-distinctive.⁹⁹

142. The EC cannot simply substitute TRIPS-consistent language that it wishes were included in Article 14(3). The United States has presented compelling evidence of what Article 14(3) means, and the EC has failed to rebut that evidence.

143. The EC's reading of Article 14(3) ignores the text of the provision. The plain text of the provision requires denial of registration for a GI if it is "liable to mislead the consumer," and not if it raises a "likelihood of confusion," which is the term used in TRIPS Article 16.1. Equating the "liable to mislead" standard with the "likelihood of confusion" standard in Article 16.1, would not be consistent with this evidence, because it ignores the distinct use of those two standards elsewhere in EC law.¹⁰⁰

United States is not arguing that trademarks that 'mislead the public as to the true place of origin' of the underlying goods in a given territory must be registered and provided Article 16.1 rights in that territory.").

⁹⁷ Any other measures must, of course, be otherwise consistent with the TRIPS Agreement and the Paris Convention.

⁹⁸ See, e.g., US Responses to Panel Question 145, para. 76; US Second Written Submission, paras. 176-181; US Response to Panel Question 76, para. 102.

⁹⁹ EC Responses to Questions following the Second Panel Meeting, para. 215.

¹⁰⁰ The EC Trademark Regulation and Trademark Directive differentiate between the two standards. Article 50.1(c) of the Trademark Regulation and Article 12.2(b) of the Trademark Directive provide for revocation of a trademark where it is "liable to mislead the public, particularly as to ... geographical origin . . ." Regulation No 40/94, Article 50.1(c), Exhibit COMP-7; Directive 89/104/EEC, Article 12.2(b), Exhibit COMP-6. In contrast, Article 9.1(b) of the Trademark Regulation and Article 5.1(b) of the Trademark Directive grant trademark owners 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." Regulation No 40/94, Article 9.1(b), Exhibit COMP-7; Directive 89/104/EEC, Article 5.1(b), Exhibit COMP-6.

144. The EC's reading also ignores the limited scope of Article 14(3), which is by its own terms relevant only when a trademark enjoys reputation, renown and use. The EC's reading represents a complete departure from what it has termed "highly relevant"¹⁰¹ guidance offered by the Commission on the meaning of Article 14(3) outside the bounds of this dispute, as recently as August 2004. The Commission's Guide to Regulation 2081/92 states, in unequivocal terms, that "only in one circumstance" – when the trademark enjoys reputation, renown and use – will the EC apply Article 14(3) to deny registration of a similar or identical GI.¹⁰² "In all other cases," the EC applies its "general rule," which is that the GI is registered, "notwithstanding the existence of the registered trademark."¹⁰³

145. The EC's reading of Article 14(3) is also irreconcilable with the way in which the prerequisites included in Article 14(3) – reputation, renown and use – have been interpreted by WIPO and the Paris Union, as well as by the ECJ and OHIM.¹⁰⁴ Each of these entities has attached particular significance to these terms, as prerequisites for the heightened protection extended to well-known or famous marks.

146. The EC's reading is, in addition, contrary to the understanding of Article 14(3) expressed by EC member States, which consider that the provision speaks to "well-known mark[s]."¹⁰⁵

147. Finally, the EC's reading is also contrary to the EC Trademark Regulation and Trademark Directive, which refer to "reputation" solely as a prerequisite for the heightened protection associated with well-known marks.¹⁰⁶

148. For all of these reasons, Article 14(3) does not even enable the EC authorities to deny registration of any GI that is identical or confusingly similar to any prior valid registered trademark – much less provide the right to trademark owners to enjoin confusing uses of such GIs, if registered. Article 14(3) is not an adequate substitute for TRIPS Article 16.1 rights.

149. Nor do Articles 7(4) and 7(5)(b) of the EC GI Regulation transform Article 14(3) into an adequate substitute for TRIPS Article 16.1. At paragraph 222 of its response, the EC repeats its assertion that Articles 7(4) and 7(5)(b) modify the meaning of Article 14(3), requiring the EC to deny registration of not just GIs that are "liable to mislead," as Article 14(3) reads, but also GIs that raise a "likelihood of confusion" with respect to all trademarks (not just those of reputation, renown and use). Articles 7(4) and 7(5)(b) simply do not do this.

150. As the United States has previously noted,¹⁰⁷ even if Articles 7(4) and 7(5)(b) augment Article 14(3) and change the "liable to mislead" standard to a "likelihood of confusion" standard,¹⁰⁸ that standard would still apply only to trademarks that enjoy reputation, renown and use. To conclude otherwise would be to read the words "reputation and renown and length of time it has been used" out

¹⁰¹ EC Responses to Questions following the Second Panel Meeting, para. 8.

¹⁰² Guide to Community Regulations, "Protection of Geographical Indications, Designations of Origin and Certificates of Specific Character for Agricultural Products and Foodstuffs" (Working Document of the Commission Services issued by the European Commission Directorate-General for Agriculture, August 2004), pg. 24. Exhibit EC-64.

¹⁰³ *Id.*

¹⁰⁴ US Second Written Submission, paras. 147, 150-152.

¹⁰⁵ US Second Written Submission, paras. 148-149. *See also* US Responses to Questions following the Second Panel Meeting, para. 105 (note 90).

¹⁰⁶ US Second Written Submission, para. 150.

¹⁰⁷ US Second Written Submission, paras. 160-164.

¹⁰⁸ The United States does not understand precisely how Article 7(4) does this, since it does not even refer to "likelihood of confusion."

of Article 14(3). We have also noted that even if Article 7(5)(b) somehow turns the "liable to mislead" standard from Article 14(3) into a "likelihood of confusion" standard, Article 7(5)(b) only applies, by its own express terms, in situations in which the EC member States have been unable to reach agreement on whether to grant an objection made by, for example, a trademark owner. If the member States agree on whether to grant the trademark owner's objection (pursuant to Article 7(5)(a)), it is unclear how Article 7(5)(b) could have any relevance to Article 14(3), let alone modify it to include a "likelihood of confusion" standard. In those situations, trademark owners affected by Article 14(3) would still face the "liable to mislead" standard (and, of course, would only benefit if their trademarks enjoyed reputation, renown and use); Article 14(3) would not substitute for TRIPS Article 16.1 for all of these trademark owners.

151. The United States also recalls that Article 7(4) is a provision that states under what circumstances an objection raised by a trademark owner should be admitted.¹⁰⁹ One ground is whether the GI would "prejudice the existence of ... a mark." The EC has argued that this must serve as grounds not only for admitting an objection, but also for granting the objection and denying registration of the GI with respect to all trademarks, because otherwise, there would be no point in admitting the objection in the first place. The United States does not find it at all unusual, however, to admit more objections than will ultimately be successful. The EC's view, in fact, implies that unless every objection that is admitted is successful, with the GI registration denied in every case in which an objection arises and is admitted, Article 7(4) will have no meaning. This is not necessary to give Article 7(4) meaning. The United States notes the express statement by the ECJ that "the fact that an objection is admissible under [Article 7(4)] does not prevent the registration applied for from being finally granted."¹¹⁰

152. It is also important to note that the EC's assertion that reputation, renown and use are "relevant in all cases" involving an evaluation against the "likelihood of confusion" standard is plain and simply untrue.¹¹¹ In lengthy string cites included as footnotes 74-77 of its response to question 148, the United States offered many decisions in which OHIM, the CFI and EC member State courts found a likelihood of confusion, without addressing whether the prior trademark at issue enjoyed reputation, renown and use. In some of those cases, OHIM, the CFI and the EC member State courts expressly held that the prior trademark for which a likelihood of confusion was found did not enjoy reputation, renown and/or use – a fact that would have precluded the EC from stopping the registration of a confusing GI under Article 14(3) of the GI Regulation. While reputation, renown and use might be relevant in some cases, *e.g.*, where the prior trademark and the allegedly infringing sign are somewhat less similar, OHIM and the courts routinely find a likelihood of confusion *without the trademark owner having established that the trademark enjoys reputation, renown or use*. In other words, establishing reputation, renown and use are not, as the EC asserts, merely part of the EC authorities' inquiry, under Article 14(3), into whether the GI rises a likelihood of confusion with respect to a prior, identical or similar mark.

153. Nor is it true, as the EC implies at paragraphs 210 -214, that reputation, renown, and use are always part of the "likelihood of confusion" analysis of other WTO Members. Of course, WTO

¹⁰⁹ US Second Written Submission, para. 161.

¹¹⁰ Case G289/96, *Kingdom of Denmark, Federal Republic of Germany and French Republic v Commission*, [1999] ECR I1541, para. 93. Available at <http://europa.eu.int/jurisp/cgi-bin/form.pl?lang=en>. Moreover, in that case, the ECJ was reviewing claims that a GI was generic, under the factors in Article 3(1) of the EC GI Regulation, and therefore not registrable. Article 3(1), unlike Article 14(3), specifically directs the Commission to take into account "the relevant national or Community laws," which the ECJ found included Article 7(4) of the GI Regulation itself. *Id.*, paras. 95, 102. Article 14(3) does not include any such requirement, and it is not therefore clear why Article 7(4) should be considered at all to modify the meaning and application of Article 14(3).

¹¹¹ EC Responses to Questions following the Second Panel Meeting, para. 219.

Member practices are irrelevant to a review of the WTO-consistency of the measure at issue in this dispute. Even so, however, it is plain from the EC's own quotations from the laws of other WTO Members that reputation, renown, and use are among the factors that might come into play in a "likelihood of confusion" analysis by various WTO Members. But not even in the materials cited by the EC are their presence required to find a likelihood of confusion. This is in stark contrast to Article 14(3) of the GI Regulation.

154. As it argued previously in this dispute,¹¹² the EC again argues that trademarks containing or consisting of geographical elements lack distinctiveness and are as such not registrable.¹¹³ The EC states that those trademarks should be registered only if they have acquired distinctiveness through use.¹¹⁴ The EC reasons that since trademarks containing or consisting of geographical elements will be registered only if they have acquired distinctiveness through use, consumers are unlikely to confuse such a trademark with an identical or similar GI unless the trademark has been used.¹¹⁵ The EC's implication appears to be that it is entirely appropriate, under Article 16.1, for Article 14(3) to limit denial of registration for a GI to situations in which an identical or similar prior trademark has been used.

155. The EC's analysis is wrong. As the Panel will recall, the United States has offered several examples of registered Community Trademarks that contain or consist entirely of geographical place names.¹¹⁶ In fact, the Community Trademark registrations for each of these trademarks expressly state that there was no showing of acquired distinctiveness through use.

156. Moreover, the United States has in fact provided a decision in which a court found a likelihood of confusion in the very situation envisioned by the EC. In the *Fläminger* case, the German Federal Supreme Court upheld a decision to block registration of the term FLÄMINGER as part of a word/device mark, on the basis that it was confusingly similar to a prior trademark, FÄLINGER. The court so held, despite the fact that the word Fläminger referred to the Eastern German region of Fläming, and even though the prior trademark was a "fanciful" name, enjoyed no reputation and had not achieved acquired distinctiveness through use.¹¹⁷

157. Finally, paragraph 220 of the EC's response illustrates with remarkable clarity why Article 14(3) is an inadequate substitute for TRIPS Article 16.1. In the EC's hypothetical, the EC states that where a prior trademark AUSTRALIA for wine has not been used, the public would not be misled and, therefore, if applied for, the GI "Australia" would presumably be registered. Under Article 16.1, likelihood of confusion would be *presumed* in this case, given that the later sign is identical and is to be used on identical goods. Under Article 14(3), however, the GI would be registered nonetheless. If Article 14(3) is to serve as an adequate substitute for TRIPS Article 16.1, it must, at the very least, lead to denial of registration of the GI in this situation. The EC's admission that the GI would be registered is a clear indication that Article 14(3) does not serve as an adequate substitute for Article 16(1).

¹¹² See EC First Written Submission, paras. 275, 278-285; EC Responses to Questions following First Panel Meeting, para. 176.

¹¹³ EC Responses to Questions following the Second Panel Meeting, para. 219.

¹¹⁴ *Id.*

¹¹⁵ *Id.*

¹¹⁶ US Responses to Questions following the First Panel Meeting, para. 79 (and Exhibit US-46); US Second Written Submission, para. 169; US Oral Statement at Second Panel Meeting, para. 74 (and Exhibits US-74 through US-76). The registrations in the cited exhibits include a field entitled "Acquired distinctiveness" (which is followed by "No" in each of the examples provided).

¹¹⁷ Judgment of the German Federal Supreme Court, *Fläminger*, 28 May 1998, GRUR 1998, pgs. 930-932. Exhibit US-92.

Question 151

158. The EC states that if Article 24.3 is considered to be an exception to the exception provisions in Article 24, then "Members could not rely upon Article 24.5 as a 'justification' to diminish the [p]re-existing protection of geographical indications."¹¹⁸ It is not clear, however, how Article 24.5 would lead to diminishing of the protection of individual GIs protected under the EC GI Regulation that existed prior to entry into force of WTO Agreement, since it only protects certain trademarks from prejudice arising from measures adopted to implement the GI section of the TRIPS Agreement. The United States notes that there were no GIs protected under the EC GI Regulation prior to January 1, 1995. Moreover, as the United States has explained, Article 24.3 does not establish limitations on what Members must do in implementing other sections of the TRIPS Agreement - such as in the trademark and copyright sections.¹¹⁹

Question 152

159. The EC's failure to answer the Panel's direct question is significant. The Panel's question derives from the fact that TRIPS Article 24.3 prevents diminishment of protection for GIs that could be caused by "implementing this Section", referring to Part II, Section 3 of the TRIPS Agreement.¹²⁰ It follows that any diminishing of GI protection that could arise by virtue of implementation of another section of the TRIPS Agreement, including the trademark section, is not prohibited by Article 24.3.

160. The EC's response that "[o]n the complainants' own interpretation of Article 24.5, the obligation to diminish protection would arise from the obligation imposed by Article 24.5 and not from Article 16.1", is simply wrong, and an attempt to avoid answering a direct and important question from the Panel. If the maintenance of GI protection violates the exclusive rights of owners of prior valid trademarks to prevent all others from using signs that result in a likelihood of confusion, then this constitutes a breach of Article 16.1 of the TRIPS Agreement. (The EC in fact acknowledges that under the EC GI Regulation, "a trademark owner cannot prevent the holder of a registered geographical indication from using the name or names registered under Regulation 2081/92 on the grounds that the use of such name or names is confusing *per se* with an earlier trademark."¹²¹)

161. Indeed, the United States emphasizes, once again, that it has not made an affirmative claim against the EC GI Regulation based on TRIPS Article 24.5. The US claim is, and always has been, based on a violation of TRIPS Article 16.1. It is the EC that has raised TRIPS Article 24.5 in its own defense.¹²² Thus, the United States does not understand how, at this point in the proceedings, the EC could be under the erroneous impression that "[o]n the complainants' own interpretation of Article 24.5, the obligation to diminish protection would arise from the obligation imposed by Article 24.5 and not from Article 16.1."

Question 153

162. The United States has explained on numerous occasions why the blanket exception to trademark rights in Article 14(2) of the GI Regulation is not a "limited exception" and does not take into account the interests of anyone other than producers of certain agricultural products in the EC who have rights to use a registered GI. Instead, for a given trademark, Article 14(2) allows for an

¹¹⁸ EC Response to Panel Question 151, para. 228.

¹¹⁹ US Second Written Submission, para. 190.

¹²⁰ See US Opening Statement at Second Meeting, para. 96; US Second Written Submission, paras. 188-190.

¹²¹ EC Response to Question 139, para. 166.

¹²² See US Response to Question 75, para. 91.

unlimited number of users of registered GIs to create an unlimited degree of likelihood of confusion with respect to the trademark, and to do so for an unlimited period of time.¹²³ Under the EC's interpretation of TRIPS Article 17, all uses of a registered GI are automatically entitled to the "fair use" exception, no matter what the facts of the particular case at hand (*i.e.*, whether the use is fair, the term is descriptive, or the legitimate interests of the particular trademark owner are considered), by simple virtue of registration alone.

163. While the national trademark laws cited by the EC all allow descriptive uses that might otherwise infringe a trademark, such uses are subject to the proviso that they be in accordance with honest practice in industrial or commercial matters or consistent with fair practice. A determination as to whether such a proviso is met under trademark law requires a case-by-case analysis to determine if a particular use is "fair" in accordance with national law and within the meaning of TRIPS Article 17. In contrast, the EC provides for a blanket, limitless exception to trademark rights through operation of Article 14(2) of the EC GI Regulation.

164. In its response to Question 153, the EC again attempts to justify its treatment of trademarks as permissible under TRIPS Article 17. First, the EC states that the exception created by the GI Regulation is "limited" because the trademark owner "retains the right to prevent the use of the name by *any* person in relation to *any* goods which originate in a different geographical area or which do not comply with the specifications."¹²⁴ As the United States has explained, whether the trademark owner retains the right to prevent parties that are not rightholders in registered GIs from confusing uses of similar or identical signs does not change the fact that the trademark owner has already been subject to an unlimited exception, especially when considered the potential detrimental effect on the trademark rights.¹²⁵

165. The EC states that the potential uses of GIs permitted by the GI Regulation are "narrower than the potential universe of uses of other descriptive terms, such as indications of source", and that this consideration is important because "Australia and the United States appear to concede that the use of those terms would qualify for an exception under Article 17."¹²⁶ With this statement, the EC now reads the word "fair" out of the phrase "fair use of descriptive terms". The United States has never stated or "conceded" that *any* use of descriptive terms would qualify for an exception under Article 17. Pursuant to the terms of Article 17, only *fair* use of descriptive terms is permitted.

166. Now, considering that the EC also reads "descriptive terms" in a way that fails to give meaning to "descriptive"¹²⁷, it is apparent that the EC is reading Article 17 to allow the "use of terms", regardless of the type of use or the type of term, and regardless of the effect on trademark owners, despite the fact that Article 17 speaks to "*fair* use of *descriptive* terms", requires that the exceptions be "limited", and further requires that the trademark owner's legitimate interests be taken into account.

167. Next, the EC disputes that Article 17 requires that an exception to trademark rights "minimizes" the "likelihood of confusion."¹²⁸ The EC argues that a requirement to minimize the likelihood of confusion would lead to a situation where the interests of third parties would not be taken into account, or otherwise balanced with the interests of the trademark owner. This is incorrect. By permitting a limited exception in the first place, the legitimate interests of third parties are already being taken into account. In other words, if there were no legitimate third party interests militating in favor of allowing an exception to trademark rights, then no such exception would be permitted. After

¹²³ See, e.g., US Opening Statement at Second Panel Meeting, para. 100.

¹²⁴ EC Response to Question 153, para. 231.

¹²⁵ US Opening Statement at Second Panel Meeting, para. 101.

¹²⁶ EC Response to Question 153, para. 230.

¹²⁷ US Opening Statement at Second Meeting, para. 103.

¹²⁸ EC Response to Question 153, para. 232.

all, it is certainly not in the legitimate interests of the trademark owner to agree to an exception to his right. Once it has been determined that an exception is appropriate because it takes into account certain third party interests, then the remainder of Article 17 demonstrates that the exception must be limited, including through the specific reference to "limited exceptions", the requirement to take account of the legitimate interests of the trademark owner, and the example requiring "fair use of descriptive terms." Given that the core trademark right is provided in Article 16.1, a "limited" exception refers to an exception that results in a limited degree of likelihood of confusion with respect to the trademark. As detailed previously, "limited exception" refers to "a narrow exception – one which makes only a small diminution of the rights", where "limited" is "measured by the extent to which the exclusive rights" of a trademark have been curtailed.¹²⁹

168. The EC also tries to minimize the effect of Article 14(2) of the GI Regulation on trademarks by stating that, even under the reading of the United States, Article 14(3) prevents registration for certain GIs that are misleading with respect to a certain category of trademarks (*i.e.*, those that enjoy reputation, renown and use).¹³⁰ The United States has explained, however, that this does not qualify as a "limited" exception within the meaning of Article 17. Article 17 permits "limited exceptions to the rights conferred by a trademark", not unlimited exceptions to the rights of a limited number of trademarks, as the EC's interpretation suggests.¹³¹

169. The EC again raises its labeling and misleading advertising laws, as well as member State unfair competition laws, as evidence that the exception to Article 16.1 rights is "limited".¹³² As a threshold matter, national laws in the EC governing labeling, misleading advertising, and unfair competition, cannot prevent the use of a geographical indication registered under the GI Regulation. Under the principle of the superiority of EC law, a national court would not have the authority to stop the use of a right granted by Regulation 2081/92 based on national law.

170. Further, even if applicable, the United States has explained that such laws do not even pretend to consider the interests of trademark owners in the manner required by TRIPS Article 17.¹³³ These laws have nothing to do with the right of trademark owners to defend their mark from infringement within the meaning of TRIPS Article 16.1. The fact that certain acts that constitute trademark infringement may also, coincidentally, be subject to prohibition under other EC or member State legislation is simply not relevant to a determination whether the infringement of a given trademark by a given use constitutes a limited exception to the rights of a given trademark owner.

171. In fact, if the EC's argument were to be accepted, then a Member could simply ignore the obligations of the trademark section of the TRIPS Agreement in their entirety, and instead argue that implementation of Article 10*bis* of the Paris Convention, alone, satisfies the obligations of TRIPS Article 16.1, when read in conjunction with TRIPS Article 17. Article 10*bis* requires countries of the Paris Union to provide, for example, "effective protection against unfair competition", defined as "[a]ny act of competition contrary to honest practices in industrial or commercial matters." While it is true that a number of the exceptions to trademark laws cited by the EC, including the EC's own Trademark Directive and Regulation, similarly require that such exceptions accord with "honest practices in industrial or commercial matters", they all do so in the context of trademark law. By contrast, EC misleading advertising and labeling laws, and Member state unfair competition laws, are entirely disconnected from the protection of individual trademark rights. Recourse to such laws is

¹²⁹ US Response to Panel Question 154, para. 119; US Opening Statement at Second Meeting, para. 100, quoting Panel Report, *Canada – Patent Protection*, paras. 7.30-7.31.

¹³⁰ EC Response to Question 153, para. 234.

¹³¹ US Opening Statement at Second Meeting, para. 102; US Second Written Submission, paras. 208-209.

¹³² EC Response to Question 153, paras. 235-239.

¹³³ US Second Written Submission, para. 210.

available to anyone, regardless of whether they are owners of registered trademarks. Again, while the substantive standards of the EC misleading advertising and member State unfair competition laws may, perhaps, be consistent with the requirements of Article 10*bis* of the Paris Convention, they do not satisfy the specific obligations of the trademark section of the TRIPS Agreement. Thus, the EC's arguments, more than just ignoring "fair" in the phrase "fair use", or "limited" in the phrase "limited exceptions", now seem to replace the entire trademark section of the TRIPS Agreement with Article 10*bis* of the Paris Convention to justify any and all harm to trademark rights imposed by the GI Regulation. This is not permitted, for it does not "give effect to the provisions of [the TRIPS] Agreement", as required by TRIPS Article 1.1, and treats an entire section of the TRIPS Agreement as being redundant with the Paris Convention.¹³⁴

172. Moreover, the generalized unfair competition laws and misleading advertising laws cited by the EC are not somehow "equivalent to" the requirements generally stipulated in the exceptions provided in the trademark law of many Members, because the EC measures, unlike the exceptions to trademark law, are entirely disconnected from the confines of trademark law, itself.¹³⁵ For example, in a typical trademark infringement case, the trademark owner has the burden to demonstrate that a certain use causes a likelihood of confusion (or, alternatively, that the presumption for identical signs for identical goods is appropriate). Once the trademark owner presents a *prima facie* case of infringement, the burden shifts to the accused infringer to demonstrate that such use is justified by a limited exception, such as fair use. By contrast, when a registered trademark owner brings a trademark infringement case against the likely confusing use of a registered GI in the EC, the user of the registered GI can stop the proceedings before the court even begins to consider likelihood of confusion by simply showing, at the outset of the proceedings, that the GI is registered and used pursuant to the GI Regulation. In such a situation, it would be useless for the trademark owner to demonstrate trademark infringement, because, as the EC has confirmed, pursuant to the GI Regulation, "a trademark owner cannot prevent the holder of a registered geographical indication from using the name or names registered under Regulation 2081/92 on the grounds that the use of such name or names is confusing *per se* with an earlier trademark."¹³⁶ Thus, during the course of trademark infringement proceedings, the GI user never has the burden to show, for example, that use of the GI constitutes "fair use" or qualifies as a limited exception. Once the GI user shows that the GI is registered, the trademark owner automatically loses, even if it can demonstrate infringement.

173. In fact, rather than placing the burden on the GI rightholder to prove its entitlement to a limited exception under Article 17, the EC would place the burden on the trademark owner to demonstrate that a particular use of the registered GI is *not* limited, or does not take account of the legitimate interests of the trademark owner, in the sense that the use violates member State unfair competition laws, or EC labeling and misleading advertising laws. As described above, this is at odds with the course of trademark infringement proceedings in a system where the exceptions to trademark law are connected to the trademark law, itself, and it is also at odds with the TRIPS Agreement.

174. Under the EC's reasoning, after the trademark infringement case is dismissed based simply on the fact that the allegedly infringing use is that of a registered GI, the trademark owner would then have to bring a separate claim or case against use of the GI for misleading advertising or unfair

¹³⁴ See Panel Report, *India – Patents*, WT/DS50/R, para. 7.53 ("The TRIPS Agreement is different from other covered agreements in that most of its provisions require Members to take positive action ... In situations where it is necessary for a Member to give effect to such positive action, a failure to provide the executive with the required authority constitutes a breach of the Agreement ..."). See also Appellate Body Report, *Canada-Dairy*, para. 133 ("[T]he task of the treaty interpreter is to ascertain and give effect to a legally operative meaning for the terms of the treaty. The applicable fundamental principle of *effet utile* is that a treaty interpreter is not free to adopt a meaning that would reduce parts of a treaty to redundancy or inutility.")

¹³⁵ EC Response to Question 153, paras. 240-241.

¹³⁶ EC Response to Question 139, para. 166.

competition. But the ability to bring such a case does not satisfy the requirements of TRIPS Articles 16 and 17, as it does not accord any rights specifically to the trademark owner. To this effect, the obligation in TRIPS Article 42 for Members to "make available to right holders civil judicial procedures *concerning the enforcement of any intellectual property right covered by this Agreement*" provides relevant context.¹³⁷ Recourse to misleading advertising law, or unfair competition law, simply does not "concern[] the enforcement of . . .", trademark rights. It concerns something entirely different, namely the enforcement of Article 10*bis* of the Paris Convention. Moreover, TRIPS Article 44.1 relates to injunctions for "infringement of an intellectual property right", while TRIPS Article 45.1 speaks to "the authority to order the *infringer* to pay the *right holder* damages adequate to compensate for the injury the right holder has suffered because of an infringement of that person's intellectual property rights."¹³⁸ By contrast, a claim pursuant to EC misleading advertising laws or Member state unfair competition laws does not relate to "infringers" or "right holders".

Questions 154 and 156

175. The EC begins with the surprising assertion that "[a] trademark which has never been used or which is virtually unknown ... could be easily replaced without significant prejudice to the owner."¹³⁹ The EC's belief that a trademark owner would not suffer "significant prejudice" if the owner of a "virtually unknown" trademark were forced to replace his trademark reflects the EC's complete disregard for certain classes of trademarks and a fundamental misunderstanding of the commercial realities confronting trademark registrants and users. A company will make significant investments in the creation of a trademark and in the development of the product and its advertising prior to product launch – that is prior to it being known in the market. Such investments can be considerable – in particular for small and medium sized enterprises that develop a local market in one EC Member State and seek protection for the trademark and develop the markets (and knowledge of the trademark among consumers) subsequently in other EC Member States. For the EC to say that a trademark under such circumstances "could be easily replaced" exhibits an utter lack of understanding of how products and services are developed and brought to market in Europe, and the role that trademarks play in that complex and costly endeavor. While the EC's understanding may be consistent with the treatment that the GI Regulation accords registered trademarks, it is not consistent with the treatment accorded trademarks under the TRIPS Agreement.

176. As the United States has explained previously, TRIPS Article 17 states that Members may provide "limited exceptions to the rights conferred by *a trademark*." It does not allow unlimited exceptions to a certain class of trademarks, even for trademarks that the EC considers "virtually unknown". What the EC might consider "unknown" trademarks are accorded the same protection under Article 16.1 as trademarks that the EC would consider "known"; similarly, they are granted the same treatment under Article 17 as trademarks that are known.

177. The EC's limited view of trademark rights is emphasized by its implication, at paragraphs 246-247, that a trademark owner does not have a legitimate interest that is reflected in Articles 15.1 and 16.1 of the TRIPS Agreement – a legitimate interest in preventing competitors from inducing consumers to buy competing products based not on the quality of the competing product, but instead on the mistaken belief that they are buying the product associated with the trademark. While it may be true that "legitimate interest" does not coincide exactly with "legal interest" – as the panel in *Canada – Pharmaceutical Patents* noted, third parties may have a legitimate interest without having a legal interest under the TRIPS Agreement¹⁴⁰ – the trademark owner's legitimate interest in preventing

¹³⁷ Emphasis added; footnote omitted.

¹³⁸ Emphasis added.

¹³⁹ EC Response to Question 154, para. 245.

¹⁴⁰ Panel Report, *Canada – Pharmaceutical Patents*, para. 7.68.

others from using identical or similar signs in a manner that results in a likelihood of confusion is undeniable.

178. Consistent with the US response to Panel Question 154, however, the EC correctly identifies two categories of third parties with relevant legitimate interests – namely, producers who aim to provide information to consumers about the geographical origin of the product, and consumers who benefit from such information.¹⁴¹ The EC suggests, in paragraph 251 of its response to Panel Question 154, several factors that may be considered in determining whether a degree of likelihood of confusion may be appropriate, such as instances "where the geographical indication enjoys more recognition than the trademark."¹⁴² Yet, the unlimited exception to trademark rights created by the GI Regulation does not allow for any such considerations of individual geographical indications or trademarks. Instead, it provides a blanket exception to trademark rights, and allows for an unlimited degree of confusion, over an unlimited period of time, with respect to an unlimited number of GI users, based on the simple fact that the use is of a registered GI. Consideration of whether a "geographical indication enjoys more recognition than the trademark", just as any other individualized consideration, plays no part in this blanket exception.

179. In reviewing the terms of Article 17, the EC states that "all that is required by Article 17 is that Members 'take account of' the different interests at issue", including those of the trademark owner and third parties.¹⁴³ Of course, this is not "all that is required by Article 17." Before reaching the analysis of whether the "legitimate interests" are taken into account, it must first be determined, pursuant to Article 17, that the exception is "limited." This is a distinct requirement. As detailed previously, "limited exception" refers to "a narrow exception – one which makes only a small diminution of the rights", where "limited", is "measured by the extent to which the exclusive rights" of a trademark have been curtailed.¹⁴⁴ Thus, the EC errs when it states that "Article 17 puts on an equal level all the interests involved."¹⁴⁵

180. The EC presents, in paragraph 253 of its response to Panel Question 154, a list of reasons why it apparently believes that GIs are superior to trademarks -- reasons that have absolutely no basis in the TRIPS Agreement but that may explain some of the motivations behind the EC's breaches of TRIPS Article 16. For example, the EC implies that GIs are superior to trademarks because they "serve a public interest", as opposed to trademarks, which they allege have only "a commercial function."¹⁴⁶ Yet, the TRIPS Agreement, itself, demonstrates that trademarks do, in fact, serve a public interest by providing consumers with valuable information and allowing them to "distinguish[] the goods or services of one undertaking from those of other undertakings", without a likelihood of confusion.¹⁴⁷ Indeed, as the United States pointed out in its first written submission,¹⁴⁸ EC jurisprudence recognizes the important public interest role that exclusive protection for trademarks plays. In this respect, Advocate General Jacobs of the European Court of Justice stated in the *Hag-II* case, that:

A trademark can only fulfil that role if it is exclusive. Once the proprietor is forced to share the mark with the competitor, he loses control over the goodwill associated with the mark. The reputation of his own goods will be harmed if the competitor sells

¹⁴¹ US Response to Question 154, para. 119.

¹⁴² EC Response to Question 154.

¹⁴³ EC Response to Question 154, para. 252.

¹⁴⁴ US Response to Panel Question 154, para. 119; US Opening Statement at Second Meeting, para. 100, quoting Panel Report, *Canada – Patent Protection*, paras. 7.30-7.31.

¹⁴⁵ EC Response to Question 154, para. 252.

¹⁴⁶ EC Response to Question 154, para. 253.

¹⁴⁷ TRIPS Articles 15.1 and 16.1.

¹⁴⁸ US First Written Submission, para. 146.

inferior goods. From the consumer's point of view, equally undesirable consequences will ensue, because the clarity of the signal transmitted by the trademark will be impaired. The consumer will be confused and misled.¹⁴⁹

181. The United States has already set forth, in its own detailed response to Panel question 156, the underlying reasons for the differences in the language of the various exceptions to intellectual property protection in the TRIPS Agreement.

182. With respect to the EC's contention that "it is beyond dispute that the requirements of Article 17 are substantially less stringent than those of [TRIPS Articles 13, 26.2 and 30]",¹⁵⁰ the United States would like to reiterate that such a conclusion stems from an incorrect reading of Article 17. In particular, contrary to the EC's interpretation, the United States has explained that Article 17 makes no reference to "normal exploitation" of a trademark because a trademark right (*i.e.*, the exclusive right to prevent uses of signs that cause a likelihood of confusion with respect to a trademark) is simply not subject to exploitation in the same sense as the "exploitation" of a copyrighted work, protected industrial design, or patented invention.¹⁵¹ Unlike in other intellectual property areas, therefore, Article 17 does not permit exceptions that would conflict with any exploitation of the trademark – normal or not – and does not permit reasonable conflicts with a "normal exploitation", because any conflict with the trademark rights goes to the heart of the trademark owner's legitimate interest. Therefore, there is no need for Article 17 to provide for exceptions that conflict with an "exploitation" of the trademark.

183. Likewise, Article 17 does not include the language regarding "unreasonabl[e] prejudice [to] the legitimate interests of the" intellectual property right holder referred to in other exceptions because of the fundamental differences in the intellectual property rights concerned. By contrast to patents and copyrights, where one can point to examples in which certain limited exceptions do not unreasonably prejudice the legitimate interests of the right holder, the very ability of a trademark owner to distinguish goods using his trademark is significantly compromised if that trademark owner cannot stop confusing uses of his signs.¹⁵² As a result, the standard of "unreasonably prejudice" the rights of the owner is not included, because any uses of signs likely to cause confusion with a mark will prejudice the owner's interests. Thus, the absence of such language certainly does not demonstrate that Article 17 is "substantially less stringent" than that of other exceptions to TRIPS obligations.

Questions 159-160

184. Contrary to the EC's argument, the United States is not arguing that the GI Regulation excludes the application of other measures to designations of origin and geographical indications. The United States detailed its arguments at paragraphs 171-183 of its first written submission. For instance, Article 2(1) of the EC GI Regulation provides that the GI Regulation is the means of achieving "Community protection" of GIs, but fails to provide legal means under that Regulation to all interested parties. Further, and perhaps more significant, by not permitting all interested persons to object to a GI registration, the GI Regulation fails to provide the legal means to those persons to prevent misleading uses vis-a-vis the registered GI. The EC has suggested that other laws are available to protect GIs in the EC, but has not shown that these other laws overcome the deficiencies on the face of the GI Regulation, particularly keeping in mind that EC regulations take precedence over EC member State laws.

¹⁴⁹ Case C-10/89 *SA CNL-Sucal NV v. HAG GFAG*, opinion delivered on 13 March 1990, European Court reports 1990 I-3711, at para 19.

¹⁵⁰ EC Response to Question 156, para. 257.

¹⁵¹ US Response to Panel Question 156, para. 129.

¹⁵² US Response to Panel Question 156, para. 130.

Question 164

185. The United States agrees with the EC that TRIPS Article 7 seems to be of limited relevance to this dispute, as it relates to the role of TRIPS rules in promoting technological innovation and technology transfer.¹⁵³

186. The EC asserts that the EC GI Regulation is a measure that promotes the public interest in a sector of vital importance to the EC's socio-economic and technological development, within the meaning of TRIPS Article 8.1. The EC has not demonstrated, however, that requiring prior valid registered trademarks to "coexist" with later registered GIs – by depriving trademark owners of their Article 16.1 rights – is "necessary" to promote this public interest, as required by Article 8.1. In any event, the EC can maintain this "coexistence" only to the extent that it is "consistent with the provisions of" the TRIPS Agreement, within the meaning of Article 8.1. As the United States has shown, however, this is an impossible task for the EC, since "coexistence" is fundamentally inconsistent with TRIPS Article 16.1.

¹⁵³ EC Responses to Questions following the Second Panel Meeting, para. 273.

ANNEX A-10

**COMMENTS OF THE UNITED STATES ON THE REPLY
OF THE INTERNATIONAL BUREAU OF WIPO
TO THE PANEL'S LETTER OF 9 JULY 2004**

(28 September 2004)

1. As provided in item 3(k) of the Panel's "Further Revised Timetable for Panel Proceedings", the United States is providing comments below on the reply of the World Intellectual Property Organization ("WIPO") to the Panel's letter of July 9, requesting available factual information relevant to the interpretation of certain provisions of the Paris Convention (in particular, Article 2, related to national treatment).

2. The factual information provided by WIPO consists of excerpts from WIPO's official records of various diplomatic conferences that adopted, amended, or revised provisions currently contained in Articles 2 and 3 of the Paris Convention (Stockholm Act, 1967). As a preliminary matter, the United States notes that, under customary rules of interpretation of international public law, reflected in Article 31 of the *Vienna Convention on the Law of Treaties*, a treaty must be interpreted in good faith in accordance with the ordinary meaning to be given to the terms of the treaty in their context and in the light of its object and purpose. Throughout this dispute, the United States has applied this approach to interpreting the TRIPS Agreement and Paris Convention provisions at issue in this dispute. Supplemental means of interpretation, including the preparatory work of the treaty and the circumstances of its conclusion, may only be used for a limited purpose: to confirm the meaning resulting from the application of the general rule of interpretation, or to determine the meaning when that interpretation leaves the meaning ambiguous or obscure, or leads to a result which is manifestly absurd or unreasonable.¹

3. No party to this dispute has argued that the terms of Articles 2 and 3 of the Paris Convention are ambiguous or obscure. Instead, the materials presented by WIPO confirm the interpretation of the Paris Convention presented by the United States in this dispute, applying the customary rules of interpretation of public international law. Indeed, the materials provide useful emphasis in at least two respects.

4. First, the materials confirm that, in adopting Article 2 and its predecessors, the negotiators were keenly aware that, as concerns the protection of industrial property, a Member would have to provide the same advantages to nationals of other Members as it provides to its own nationals, *regardless* of the domestic laws or regulations in those other Members relating to intellectual property. It was clear to the negotiators that, under Article 2, a Member would not be able to condition the protection of industrial property provided to another Member's nationals on that other Member itself having a particular system of protection (or indeed, any system) or having a particular set of substantive or procedural rules in place.² Thus, in the example that recurs in the WIPO

¹ See *Vienna Convention on the Law of Treaties*, Article 32.

² As the United States noted in its first submission, citing the same materials as have now been provided by WIPO, the importance of this principle was made clear at the very first negotiating session for the Paris Convention in 1880, where the concept of national treatment in what was to become the Paris Convention was first introduced. In the welcoming remarks for that first session, the French Minister for Agriculture and Commerce stated that the Conference could not achieve a complete international treaty of industrial property because of the difficulty of unifying national laws. He concluded that the Conference should, therefore, strive to find the means to constitute a union which, without encroaching on domestic legislation, would assure national treatment and lay down a number of uniform general principles. Paris Diplomatic Conference (1880/1883),

materials, the United States would have to allow all Member national inventors 17 years of patent protection, with minimal fees and no exploitation requirement, even though other Members imposed significant fees for such protection, provided substantially shorter patent terms, and required exploitation.³ The delegate from France, who made the initial proposal for Article 2 in 1880, insisted on the importance of providing the same advantages to the nationals of other Members as one provides to one's own nationals, regardless of the protections provided in those other Members, and his successor at the Hague Conference reiterated the same points in 1925, when the national treatment provision of the Paris Convention was last amended.⁴ That conference rejected suggestions that the regime be changed to compensate for the perceived problem of requiring that a Member's nationals benefit from strong protections in another Member, even though the first Member does not provide the same protections.⁵

5. A second, and related, issue is that, throughout the negotiations, there was an emphasis on the fact that, under the national treatment obligation, Members were not obliged to change their substantive law, or to put in place legal regimes that they did not currently have.⁶ It simply required that whatever regime was in place be applied equally to nationals of other Members. For instance, specifically in connection with the national treatment obligation with respect to indications of source, the Belgian representative clarified that the Paris Convention did not obligate Belgium to have a particular legal regime in place for indications of source, but only that, whatever the regime, it would apply even-handedly to all nationals.⁷ And it was the expectation that Belgian nationals would receive the same treatment in another Union Member as that Member's nationals, *regardless* of the lack of a particular protection regime in Belgium.

6. These two points are significant because they stand in contrast to the EC GI Regulation. As the United States has described in greater detail in its submissions, oral statements, and answers to Panel questions, the EC will not register and protect the home-based GIs of another Member's nationals unless that Member itself – not the national claiming the right, but the Member – satisfies certain requirements. Among those requirements are that the Member concerned establish an EC-style inspection system for GIs, and that the Member itself demonstrate that the GI is protected in the Member (a requirement that accommodates well Members with an EC-style GI registration system, but presents significant obstacles for Members that protect GIs in other ways). The Member must also be able to assess whether an application for GI registration from one of its nationals satisfies the

pp. 14-17, at p. 16 (emphasis added). Also provided as Exhibit US-3. In the negotiations on the national treatment provision, the French negotiator who had prepared the initial draft emphasized that, in order to be acceptable, the convention would have to respect the internal legislation of all contracting parties to the extent possible, and to restrict itself to an obligation to extend national treatment to foreigners. Paris Diplomatic Conference (1880/1883), p. 33 (emphasis added). Also provided as Exhibit US-3. In the course of that discussion, the national treatment obligation was clarified by the deletion of the word "reciproquement" from the original draft. *Id.*, pp. 39-45. Also provided as Exhibit US-3. And indeed, in subsequent revisions to this provision, several proposals to include a reciprocity element in the obligation found no support and were withdrawn. For instance, a proposal by the United States to provide for the right to impose upon nationals of the other countries the fulfillment of conditions imposed on its nationals by those countries found no support and was withdrawn. Hague Revision Conference (1925), pp. 413-415 (First Sub-Committee). Also provided as Exhibit US-4.

³ *E.g.*, Brussels Revision Conference (1897/1900), pp. 95-97, 143-144, 195-196.; Hague Revision Conference (1925), pp. 413-415. *See also* Paris Diplomatic Conference (1880/1883), pp. 33-45, clarifying that the national treatment approach should be acceptable to countries, like The Netherlands and Switzerland, that do not protect patents under their national law, because they would not have to treat foreigners better than their own citizens.

⁴ Paris Diplomatic Conference (1880/1883), pp. 14-17; Hague Revision Conference (1925), p. 414.

⁵ *See* Hague Revision Conference (1925), pp. 413-415 (First Sub-Committee). Also provided as Exhibit US-4.

⁶ *See* note 2, *supra*.

⁷ Brussels Revision Conference (1897/1900), p. 246.

requirements of the EC GI Regulation, which requires an infrastructure and decision-making capability similar to that possessed by the EC and the EC member States (which also must make that assessment under the GI Regulation). As the United States has pointed out in this dispute, these are effectively requirements that, as a condition of obtaining intellectual property protection in the EC for their nationals, other WTO Members adopt aspects of a GI regime that are similar to what the EC has chosen to adopt. In contrast, as reflected in the materials provided by WIPO, the negotiators of the Paris Convention intended that such intellectual property protections be made available to all nationals of Members *regardless* of the internal laws and regulations of those Members and, in particular, *without* a requirement that those Members adopt particular systems of protection.⁸

7. Indeed, it is also revealing that, in the many pages provided by WIPO, there is considerable discussion of the requirements that Members could impose on foreign *nationals* in order for them to receive the same advantages as domestic nationals. By contrast, there is no discussion that the United States could see concerning any requirements that could be imposed on *other Members* as a condition of their nationals receiving the benefits of intellectual property protections, aside, of course, from the requirement to become a Member of the Union.⁹ This, too, is consistent with the views of the United States in this proceeding, based on the customary rules of interpretation of public international law: it is the *nationals* of other Members, not the Members themselves, to whom national treatment is owed. The EC GI Regulation denies this treatment to non-EC nationals when it imposes conditions that the non-EC national himself cannot meet, but for which he must rely on his government.

8. In sum, the United States reiterates its positions, set forth in its submissions, oral statements, and responses to Panel questions, that the EC GI Regulation is inconsistent with the EC's national treatment obligations under the TRIPS Agreement and the Paris Convention, as properly interpreted using general rules of treaty interpretation, and submits that the materials provided by WIPO confirm and reinforce this interpretation and the inconsistencies of the EC GI Regulation.

⁸ Further, at this point it almost goes without saying that the EC's explicit conditions of reciprocity and equivalence in Article 12(1) of the GI Regulation are directly contrary to what the negotiators of the Paris Convention either drafted or intended to draft. Indeed, even the EC has abandoned any defense that these conditions are consistent with national treatment.

⁹ Indeed, even if a country did not join the Union, however, its nationals could be eligible for national treatment under Article 3 of the Paris Convention, if they had a real and effective commercial or industrial establishment in the territory of a country of the Union.