

**European Communities - Protection of Trademarks and
Geographical Indications for Agricultural Products and Foodstuffs
(WT/DS174, WT/DS290)**

Answers of the United States
to Questions posed by the Panel to the Parties
in Connection with the Second Substantive Meeting of the Panel

August 26, 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:

GI: EC National: EC 1	GI: Non-EC National: EC 3
2 GI: EC National: Non-EC	4 GI: Non-EC National: Non-EC

2. As the Panel notes, in explaining the national treatment inconsistency, the United States has often illustrated the problem by comparing the treatment accorded in quadrant 1 – that accorded EC nationals claiming rights in EC-based GIs – to the treatment accorded in quadrant 4 – that accorded non-EC nationals asserting rights in non-EC GIs. Because of the close link between a GI and the territory to which it refers,¹ and a similarly close link between a territory and one’s nationality, it stands to reason that discrimination based on the territory to which the GI refers effectively results in discrimination based on nationality. This is reflected in the comparison between the treatment accorded in quadrant 1 to the treatment accorded in quadrant 4.

3. This said, and addressing the Panel’s question, it is appropriate to compare the treatment accorded to all EC nationals seeking to protect GIs, regardless of location, to all non-EC nationals seeking to protect GIs, regardless of location, as suggested by the Panel. This comparison arrives at the same result as that argued by the United States. The text of Article 3.1 of the TRIPS Agreement requires the EC to accord to the nationals of non-WTO Members “treatment no less favorable than that it accords to its own nationals with regard to the protection of intellectual property.” The question presented by the text, therefore, is whether the EC accords any treatment to non-EC nationals with regard to the protection of rights in geographical indications that is less favorable than that accorded to any EC nationals. In other words, is any

¹ As the United States has noted previously, GIs are unique among intellectual property rights in its close link to territories and borders. See, e.g., U.S. Response to Panel questions 24 - 27 (July 8, 2004).

treatment accorded to any non-EC nationals in quadrants 2 and 4 less favorable than that accorded to any EC nationals in quadrants 1 and 3?

4. This question can be refined somewhat, because the most favorable treatment accorded to EC nationals – and that accorded to most, if not all, EC nationals – is in quadrant 1. That is because, as the EC itself admits, the EC nationals in quadrant 2 (those claiming GIs outside the EC), may face the same obstacles as non-EC nationals claiming GIs outside the EC. Therefore, the treatment in quadrant 1 is the benchmark – the national treatment – against which treatment of non-EC nationals must be measured. If treatment accorded to any non-EC nationals – in quadrants 2 or 4 – is less favorable than that accorded to any nationals in quadrant 1, then there is a violation of the national treatment obligations. It does not matter whether some EC nationals – those in quadrant 3, to the extent there are any – are also treated less favorably than the EC nationals in quadrant 1. The issue is whether non-EC nationals are accorded less favorable treatment than that accorded EC nationals, not whether some EC nationals are also unable to get that same best treatment as other EC nationals.²

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

² In this connection, as the United States pointed out in its first written submission, at paragraph 76, the national treatment obligation with respect to goods under Article III of the GATT 1994 has been found to require “treatment of imported products no less favorable than that *accorded to the most-favored domestic products.*” *U.S. – Malt Beverages*, paras. 5.17, 5.33 (emphasis added). Furthermore, the United States pointed out in the first written submission, by analogy, that the treatment accorded to *the most favored EC nationals* is that accorded in quadrant 1. See *U.S. – Section 211*, where the Appellate Body found that “as the language of Article 3.1 of the TRIPS Agreement, in particular, is similar to that of Article III:4 of the GATT 1994, the jurisprudence on Article III:4 of the GATT 1994 may be useful in interpreting the national treatment obligation in the TRIPS Agreement.” (para. 242).

³ Similarly, the panel in *U.S. – 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, *U.S. – Section 337*, para. 5.14 (emphasis added).

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 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

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.”

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

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.

incorporated in that country and 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, U.S. agricultural land is held almost exclusively by U.S. 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

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 U.S. 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 U.S. 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 U.S. Opening Oral Statement at Second Meeting, para. 14.

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

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 U.S. 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

¹⁰ U.S. Opening Oral Statement at Second Meeting, para. 9.

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 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 U.S. 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 U.S. 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

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, 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 U.S. 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; U.S. Opening Oral Statement at Second Meeting, para. 14.

¹⁴ See response to question 104 above, note 8.

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 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

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.

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

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

...

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 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

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

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.

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 U.S. 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 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

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.

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

²³ Article 3(1) of the GI Regulation.

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 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

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

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

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 U.S. 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 U.S. government is required to put in place certain inspection structures, approve inspection bodies within that structure, and have the inspection bodies

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).

be responsible to the U.S. 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 U.S. 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 U.S. submissions and oral statements. If a WTO Member does 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 U.S., 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 inspection 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.

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

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

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

²⁸ EC Second Written Submission, para. 300.

²⁹ See U.S. Responses to Questions, para. 68.

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

³⁰ U.S. 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,

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,” “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.

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 U.S. Second Written Submission, para. 134.

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 U.S. Closing Statement at Second Meeting, para. 18.

³⁷ U.S. 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 U.S. Second Written Submission, paras. 138-140; U.S. Opening Oral Statement at Second Meeting, para. 83; U.S. Closing Statement at Second Meeting, para. 18.

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 "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

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.

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.

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 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 U.S. 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 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

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 U.S. 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.

⁴³ U.S. Second Written Submission, paras. 173-174.

“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 U.S. 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

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

⁴⁵ See U.S. Second Written Submission, para. 176.

⁴⁶ U.S. 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

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:*

- (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

grandfathered trademark. (Emphasis added.)

⁴⁹ EC Second Written Submission, para. 309.

⁵⁰ U.S. 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 U.S. Oral Statement at First Meeting, para. 42; U.S. Second Written Submission, para. 120.

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

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 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

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

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

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 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.

⁵⁶ See U.S. 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).

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

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.

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

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

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.

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.

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 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

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.

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 6*bis* 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. 5-7 (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

likelihood of confusion *without the trademark owner having established that the trademark*

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/Foris*, 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, *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).

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

⁷⁸ U.S. 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.

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.” 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

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.

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.

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) 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

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 U.S. Second Written Submission, para. 146.

⁸⁹ U.S. Second Written Submission, para. 147.

⁹⁰ U.S. 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 (tiret 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 U.S. Second Written Submission, para. 150.

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).

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

⁹² US Second Written Submission, para. 166.

⁹³ Exhibit US-21, at pp. 13-14.

⁹⁴ U.S. Second Written Submission, paras. 189-190.

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 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

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.

⁹⁷ See Panel Report, *U.S. – Section 110(5)*, para. 6.224.

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 *U.S. – 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

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.

of exercising, e.g., by licensing, such rights. That is not to say that legitimate interests are necessarily limited to this economic value.⁹⁹

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

⁹⁹ Panel Report, *U.S. – Section 110(5)*, para. 6.227.

¹⁰⁰ U.S. Opening Oral Statement at Second Meeting, para. 90; U.S. Second Written Submission, para. 174.

¹⁰¹ U.S. Opening Oral Statement at Second Meeting, para. 100, quoting Panel Report, *Canada - Patent Protection*, paras. 7.30-7.31. *See infra* U.S. Response to Question 155.

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 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

¹⁰² U.S. Opening Oral Statement at Second Meeting, para. 102.

¹⁰³ U.S. Opening Oral Statement at Second Meeting, para. 102.

*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 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 "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

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.

¹⁰⁵ As noted in the U.S. 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.

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 U.S. *prima facie* case. To the contrary, the EC declined an invitation from the Panel to provide such information.

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

¹⁰⁶ See also for example Articles 3.7 and 21.5.

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 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

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.

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

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.