

**European Communities – Protection of Trademarks and Geographical Indications
for Agricultural Products and Foodstuffs**

(WT/DS174 and WT/DS290)

Second Submission of the United States

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I. Introduction

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

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

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

4. Therefore, this submission will first address, in section II below, the fact that these WTO-inconsistent obligations do apply to WTO Members, and the U.S. concerns – heightened by the EC’s response to the Panel questions – that the European Court of Justice (“ECJ”) would, if presented with this question, so find. This submission will then address, in sections III through VI, the other aspects of the EC GI Regulation – *i.e.*, those aspects that the EC admits apply to WTO Members – that are inconsistent with the national treatment and MFN obligations of the EC under the TRIPS Agreement, the Paris Convention, and the GATT 1994. Section VII will then discuss how, in light of the U.S. arguments and the EC’s responses, the GI Regulation denies trademark owners the rights that they are required to have under Article 16.1 of the TRIPS

¹ EC GI Regulation, second “whereas” clause.

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

³ Submitted April 23, 2004 (“U.S. First Written Submission”).

Agreement to prevent all confusing uses of identical or similar signs. Section VIII will discuss the GI Regulation's failure to make required legal means available to interested parties to prevent misleading uses with respect to geographical indications, as required by Article 22.2 of the TRIPS Agreement. Finally, section IX will discuss the EC GI Regulation's denial of the enforcement procedures and remedies required by the TRIPS Agreement.

II. “Reciprocity” and “Equivalence” Requirements of Article 12(1) of the EC GI Regulation

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

6. Regardless of the Panel's findings on this issue, however, it would assist in the resolution of this dispute to review and make separate findings on whether, in addition to the Article 12(1) reciprocity and equivalence conditions, other aspects of the GI Regulation, detailed further in the

⁴ U.S. First Written Submission, paras. 33-129.

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

sections that follow, are inconsistent with the national treatment and MFN obligations of the EC under the TRIPS Agreement, the Paris Convention, and the GATT 1994. Therefore, the United States will not discuss the substance of the Article 12(1) conditions of reciprocity and equivalence further in the sections that follow, but simply refers back to its first submission and its oral statement at the first Panel meeting.

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

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

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

10. Other aspects of the EC's responses to the Panel's questions reinforce the U.S. concerns

⁶ The United States recalls that this reading of the EC GI Regulation is supported by the text of the Regulation in light of EC law, and was, in fact, the EC's consistent reading of this Regulation, up until its first written submission in this proceeding. See U.S. First Written Submission, paras. 32-129, U.S. Responses to Panel Questions, paras. 1-39, U.S. Oral Statement of the United States at the First Substantive Meeting of the Panel ("U.S. Oral Statement"), paras 7-16, and Australia's First Written Submission, Responses to Panel Questions.

⁷ EC Responses to Panel Questions, para. 9.

⁸ EC Responses to Panel Questions, para. 49.

that, under the EC GI Regulation, the conditions of equivalence and reciprocity apply to WTO Members, and that the ECJ would so read the Regulation.

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

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

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

⁹ EC Responses to Panel Questions, para. 30.

¹⁰ EC Responses to Panel Questions, para. 31.

¹¹ U.S. Responses to Panel Questions, para. 14.

¹² EC Responses to Panel Questions para. 173.

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

¹⁴ *Petrotub*, para. 47.

¹⁵ Communication from the EC Commission, dated 15 February 1996, G/ADP/W/301. The communication was a response to question posed by Hong Kong, China (G/ADP/W/95); Japan (G/ADP/W/88); Korea (G/ADP/W/132); Singapore (G/ADP/W/145); and, Malaysia (G/ADP/W/107). The thrust of these questions was an apparent inconsistency between Article 2(11) of the EC basic anti-dumping regulation and Article 2.4.2 of the Anti-Dumping Agreement on the extent of the requirement to state reasons for the failure to apply symmetrical methods in calculating dumping margins. Japan expressly asked: "Although no explanation is required under

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

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

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

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

Article 2.11 of the [EC] Regulation, *can the EC guarantee that it will give an explanation for [using asymmetrical methods that compare] weighted average normal value with individual export price in accordance with Article 2.4.2 of the [Anti-Dumping Agreement]?*" The EC responded that "*any departure from the [symmetrical] methods will be explained both to the parties concerned and in regulations imposing anti-dumping measures.*" (Emphasis added).

¹⁶ *Petrotub*, para. 48.

¹⁷ *Petrotub*, para. 59.

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

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

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

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

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

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

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

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

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

23. In sum, in the absence of convincing legal authority to the contrary, the United States submits that this Panel should find that the Article 12(1) conditions of reciprocity and equivalence apply to all third countries, including WTO Members, and that these conditions are

²¹ *Petrotub*, para. 58.

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

²³ *See, further*, U.S. Responses to Panel Questions, paras. 26–32.

inconsistent with the national treatment and MFN obligations of the TRIPS Agreement, the Paris Convention, and the GATT 1994.

III. The EC GI Regulation is Inconsistent with the National Treatment Obligations of the TRIPS Agreement and the Paris Convention.

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

A. The EC GI Regulation discriminates based on nationality

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

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

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

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

²⁶ EC Oral Statement, para. 47.

27. First, under both the TRIPS Agreement and the Paris Convention there is a connection between where a person is domiciled or established and its nationality.²⁷ Article 1.3, footnote 1, states, for instance that, for purposes of the TRIPS Agreement, “nationals” of a separate customs territory Member of the WTO means “persons, natural or legal, who are domiciled or who have a real and effective industrial or commercial establishment in that customs territory.” It would appear, then, that this provision would apply to the EC, among other WTO Members. As applied to the EC, for instance, this would mean that the EC’s obligation under Article 3.1 of the TRIPS Agreement is to accord to nationals of other Members treatment no less favorable than it accords to persons who are domiciled or who have a real and effective industrial or commercial establishment in the EC. An initial question, therefore, is whether, in the GI Regulation, a distinction is being made between persons that have a real and effective industrial or commercial establishment in the EC (or who are domiciled there), and persons who do not – *e.g.*, persons whose commercial establishment or domicile is in another WTO Member. If so, the EC GI Regulation is, in fact, making a distinction between nationals of the EC, on the one hand, and nationals of other WTO Members, on the other.

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

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

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

31. The national treatment problem is equally apparent when viewed from the point of view of nationals of non-EC WTO Members. Such persons may well be nationals of those non-EC

²⁷ See U.S. Response to Panel Questions, para. 49.

WTO Members purely because of their commercial establishment there, producing agricultural products.²⁸ Such persons – who are nationals of a non-EC WTO Member by virtue of their establishment in that Member producing agricultural products – are obviously relegated to the “foreign” track of GI Registration by virtue of that nationality.

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

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

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

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

36. Finally, it is obvious that any regulation that provides for separate tracks for registering and protecting GIs that refer to regions outside the EC, on the one hand, and those that refer to regions in the EC, on the other, is creating distinct tracks for non-EC nationals and EC nationals. This is particularly true in the agricultural sector, where nationals involved in agricultural production – particularly of products that have developed over many generations a special reputation and characteristics linked to the region – overwhelmingly have an interest in GIs in the

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

country of their nationality.²⁹ A significant part of the value of a GI is its strong link to the region and history of the producers in that region: the attraction of French GI CHAOURCE for cheese, for instance, is that it takes its name from the market town of Chaource and is allegedly the most famous artisanal cheese from the Champagne region of France. It has been produced by local farmers since the 14th century, who still use traditional techniques today. Similar considerations would apply to for products in the United States or elsewhere. As the EC itself has noted, "geographical indications are the common patrimony of all the producers of a certain area, and ultimately of the entire population of that area."³⁰ Similarly, EC Trade Commissioner Lamy, in a speech last year, described the benefits of geographical indication protection as follows:

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

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

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

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

The panel agreed, reasoning that:

Nor could the applicability of Article III:4 be denied on the ground that most of the procedures in the case before the Panel are applied to persons rather than

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

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

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

³² *U.S. – Section 337*, para. 5.10.

³³ *U.S. – Section 337*, para. 3.10.

products, since the factor determining whether persons might be susceptible to Section 337 proceedings or federal district court procedures is the source of the challenged products, that is whether they are of United States origin or imported.³⁴

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

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

41. The EC has suggested in its responses to the Panel’s questions that somehow the fact that there is a national treatment obligation under GATT 1994 with respect to goods means that the national treatment obligation under the TRIPS Agreement should be more narrowly interpreted than it would be in the absence of such an obligation.³⁶ For instance, the EC cautions against “systematic overlap.”³⁷ Similarly, the EC implies that, since the GI Regulation does not literally and specifically provide for different treatment according to the “nationality” of the rightholder, the Panel should focus on whether the formulation actually used in the GI Regulation was an attempt to “circumvent” the national treatment obligation.³⁸ Specifically, the EC contends that, because Article III of the GATT 1994 covers discrimination based on a product’s origin, there is no issue of “circumvention” in this case, implying that this means that only a literal, express discrimination against other WTO nationals would violate the national treatment obligations under the TRIPS Agreement and the Paris Convention. These arguments are wrong.

42. First, the obligations under Article III:4 of the GATT 1994 are separate from those of Article 3.1 of the TRIPS Agreement and Article 2 of the Paris Convention, and the EC has an obligation to satisfy both sets of obligations. If there is a violation of national treatment under

³⁴ *U.S. – Section 337*, para. 5.10.

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

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

³⁷ EC Responses to Panel Questions, para. 73.

³⁸ EC Responses to Panel Questions, para. 73.

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

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

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

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

B. The EC GI Regulation accords less favorable treatment to nationals of all non-EC WTO Members that have not established EC-style inspection structures

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

³⁹ EC First Written Submission, para 109.

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

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

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

2. The EC inspection structure requirements are highly prescriptive,

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

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

⁴² Article 10 of the EC GI Regulation.

and go beyond simply assuring that the GI products meet the specifications

49. During the first Panel meeting, the EC suggested that the requirements for the inspection structures under Articles 10 and 12a of the EC GI Regulation were not unduly prescriptive, and the EC complained several times that complainants had not specified *which* particular aspects of the inspection structures were objectionable. The pertinent issue, however, is not which aspects of the EC-mandated inspection systems are objectionable, but rather whether the EC can, consistent with the TRIPS Agreement, demand of WTO Members the establishment of the same particular inspection structures that the EC has chosen for itself as a precondition for granting TRIPS rights to that Member's nationals.⁴³ It cannot, because to do so is to accord less favorable treatment to nationals of WTO Members who have the right to choose the appropriate method of implementing its TRIPS obligations, and have not chosen such particular inspection systems to implement their obligations with respect to GIs.

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

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

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

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

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

⁴⁷ *E.g.*, EC Regulation 40/94, Article 64(2) "In derogation from Article 7(1)(c), signs or indications which may serve, in trade, to designate the geographical origin of the goods or services may constitute Community collective marks within the meaning of paragraph 1." OHIM Examination Guidelines on Community Collective Marks, Section 11.5.1 "An applicant for a collective mark must submit regulations governing its use." Section 11.5.2 "The regulations must specify: a) the name of the applicant's organisation and the address of its office; b) the

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

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

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

object of the organisation; c) the bodies authorized to represent the organisation; d) conditions for membership; e) the persons authorized to use the mark; f) if there are conditions for use of the mark, including sanctions, these must be included; and g) if the mark designates the geographical origin of the goods or services, authorization for any person whose goods or services originate in the geographical area concerned to become a member of the organization." See discussion above for relevant U.S. regulations.

⁴⁸ TRIPS Agreement preamble, third "Recognizing" clause.

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

authority is a private body, it must fulfill the requirements of a European standard for inspection authorities (standard EN 45011), and must “continue to be responsible *vis-a-vis* the EC member State⁵⁰ for all inspections.”

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

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

56. First, the EC GI Regulation does not merely require assurances that the specifications in the GI application will be complied with and that there are rules to ensure that compliance.⁵¹ Rather, it requires that the government of the WTO Member itself assure that compliance. This is clear from the GI Regulation’s requirement, under Articles 10 and 12a, that it is the WTO Member concerned that must declare to the EC that the Article 10 inspection structures are established in its territory, and from the requirement that private inspection bodies continue to be responsible to the WTO Member for all inspections.⁵² But other WTO Members may not have a system where they are directly involved in the inspections, or where the private inspection authorities are “responsible” *vis-a-vis* the government for all inspections. Rather, as noted above, some WTO Members rely on a system in which the certification or collective mark holders themselves ensure that a certification or collective mark is being used in conformity with the terms of its issuance. The nationals of any such WTO Members are thus unable, under the GI Regulation, to register and protect their GIs in the EC.

57. Second, although an inspection authority that is completely independent of the producers and directly responsible to the government is one way assure that the specifications for the GI are met, but it is not the only way. The EC’s recent response that certification mark owners might qualify as Article 10 inspection authorities – because they themselves do not produce the subject product – would appear to exclude other GI rightholders who are able to assure the integrity of their GI. One example is collective mark owners, who may both own a mark protecting a geographical indication, and police compliance with that mark.⁵³ Collective marks can be owned

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

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

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

⁵³ In the United States, for instance, the Lanham Act provides that the owner of a certification mark cannot use the mark on goods, but only for advertising (anti-use by owner rule). In contrast, the owner of a collective mark is not barred from using the collective mark as a trademark for goods. "...[T]he collective itself may also use the

collectively by all producers in a particular region, and so are a good fit for protecting geographical indications.⁵⁴ Under the EC's own analysis, however, it would appear that, in the absence of a separate additional inspection structure as to the specific product, directly responsible to the U.S. Government, collective owners of a GI in the United States would not be able to register their GI in the EC. Yet collective mark owners have as much of an interest in protecting the integrity of their mark as certification mark owners. While collective mark owners may not have a separate and independent inspection structure responsible to the government, they do generally have a rules for admission to the collective organization, the members of which are then authorized to use the mark upon admission (and compliance with the rules for the use of the mark). There is no reason that such a system should be considered *a priori* inadequate to qualify for an EC GI Registration.

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

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

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

61. It is worth highlighting that the United States is not challenging in this dispute the EC

same mark as a trademark for the goods covered by the collective trademark or service mark. See TMEP 1305. The "anti-use by owner" rule of §4 of the Trademark Act, 15 U.S.C. §1054 does not apply to collective marks. TMEP 1303.01.

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

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

basic standard for what constitutes a GI. The U.S. position is that if a product meets that standard – *i.e.*, is an agricultural product or foodstuff originating in a region outside the EC which possesses a specific quality, reputation or other characteristics attributable to that geographic origin – the non-EC national should be able to register and protect it in the EC under the GI Regulation, regardless of whether his home government has established the same inspection structures as the EC member States.

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

C. The EC GI Regulation accords less favorable treatment to nationals of all other WTO Members that do not or cannot evaluate and process EC GI registration applications or objections and advocate to the EC on behalf of its nationals

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

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

64. With respect to the first point, it is plain that, under the GI Regulation, WTO Members must play a substantial and active role in trying to convince the EC to accept the GI registration applications and objections of its nationals, submitting themselves to the EC's authority and committing themselves to administer and enforce the EC GI Regulation in their territory. With respect to GI registration applications, Article 12a(2) of the GI Regulation would require the United States to (1) make a determination that the requirements of the GI Regulation are satisfied; (2) provide a description of the legal provisions and usage on the basis of which the geographical indication is protected or established in the United States; (3) make a declaration that the full inspection structures for agricultural products and foodstuffs are established in the United States

(i.e., the same inspection structures required of EC member States); and (4) submit other documentation that would support the application. The United States notes that this is not a simple matter, because it is not even clear on what basis a U.S. government authority would be in a position to assess whether the application meets the requirements of the EC GI Regulation.

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

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

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

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

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

84. Fifth, the involvement of the third country authorities should also be

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

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

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

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

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

70. The EC has responded that this is equal treatment, not less favorable treatment, because EC nationals also have to send registration applications and objections through their member States.⁵⁹ The United States recalls again that it is up to the EC to demonstrate that different procedures applied to non-EC nationals as compared to EC nationals do not amount to “less favorable treatment.”⁶⁰ In fact, the EC's assertion of “equality” is incorrect, because, just as in the case of

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

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

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

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

⁶⁰ See U.S. – Section 337, para. 5.11.

inspection structures, EC member States are required by the GI Regulation to process the applications and the objections, and so EC nationals are directly provided the ability to register their GIs and object to the registration of GIs. Other WTO Members have no such obligation – under the TRIPS Agreement or elsewhere – and therefore the GI Regulation accords less favorable treatment for the nationals of those Members that do not “comply” with the EC GI Regulation.

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

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

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

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

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

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

relies on the declarations and representations of the certification or collective mark holder and relies on competitors in the marketplace to challenge the registration if the owner fails to uphold the standards provided for in the registration.⁶³ This is also the practice of other jurisdictions which accept certification marks and collective marks for registration and which protect geographical indications through such marks.

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

D. The requirement that non-EC geographical indications – but not EC geographical indications – bear a country of origin marking provides less favorable treatment to non-EC nationals than to EC nationals with regard to the protection of geographical indications.

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

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

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

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

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

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

E. The EC GI Regulation requires domicile or establishment in the EC as a condition for the enjoyment of GI rights, contrary to the obligation of Article 2(3) of the Paris Convention

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

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

80. The U.S. panel request contained both a statement that the GI Regulation failed to accord national treatment to non-EC nationals and a specific reference to Article 2 of the Paris Convention, a reference that plainly includes both paragraphs 1 and 2 of Article 2.⁶⁸ Neither paragraph uses the precise term “national treatment”, but both together define that obligation. The non-establishment requirement of Article 2(2) follows immediately after Article 2(1), linked by the word “however”, which indicates that what follows is connected to and part of the obligation in Article 2(1). Article 2(1) specifically provides that the same advantages must be provided to other nationals as to one’s own nationals; and Article 2(2) specifies that a Member may not require domicile or establishment as a condition for the enjoyment of industrial property rights.

81. The link between these two paragraphs and their importance to “national treatment” is emphasized by this very proceeding. As the United States argued in its first submission,

⁶⁵ EC First Written Submission, para. 42.

⁶⁶ EC GI Regulation, Article 7(3).

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

⁶⁸ WT/DS174/20, August 19, 2003.

requiring an effective establishment in the EC as a precondition to obtaining GI protection is tantamount to a requirement that, in order to receive national treatment, a legal person must, in effect, become an EC national. In other words, the GI Regulation's requirement for a commercial establishment in Europe as a precondition to claiming the same rights as nationals is simply another aspect of its denial of national treatment to nationals of other WTO Members, a claim clearly within this Panel's terms of reference.

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

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

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

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

85. The EC also claims that the U.S. is in effect arguing that geographical indications should be

⁶⁹ EC First Written Submission, para. 181.

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

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

F. The EC GI Regulation imposes additional requirements on non-EC nationals desiring to object to the registration of a GI that are more burdensome than those imposed on EC nationals.

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

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

⁷⁰ EC First Written Submission, para. 186.

⁷¹ EC First Written Submission, para. 189.

⁷² EC GI Regulation, Article 7(3).

⁷³ U.S. First Written Submission, para. 93-94.

⁷⁴ EC First Written Submission, para. 151.

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

IV. The EC GI Regulation is Inconsistent with the National Treatment Obligations of the GATT 1994.

A. The EC GI Regulation’s requirements that other WTO Members establish specific inspection structures and become active participants and advocates in prosecuting its nationals’ GI registrations and objections accords less favorable treatment to non-EC products than it does to EC products.

89. In its first written submission, the United States showed that the EC GI Regulation was inconsistent with the EC’s obligation under Article III:4 of the GATT 1994 to accord no less favorable treatment to products originating in the territory of other Members than it accords to like products of national origin. The EC does not contest that the imported products are “like” domestic products,⁷⁶ and does not contest that the EC GI Regulation is a measure that falls within the scope of Article III:4.⁷⁷ The only issue, therefore, is whether the EC GI Regulation accords imported products “less favorable treatment” than that accorded to the like domestic products.⁷⁸

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

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

92. A product from the United States that meets the requirements of the GI Regulation – that is, an agricultural product or foodstuff originating in a region of the United States which possesses a specific quality, reputation or other characteristics attributable to that geographic origin – must, under Article III:4 of the GATT 1994, be accorded no less favorable treatment than an EC product that meets those requirements. But under the GI Regulation, an EC product that qualifies for protection due to characteristics attributable to its origin can be registered and protected under the EC GI system. By contrast, a U.S. product that similarly qualifies for registration and protection

⁷⁶ EC First Written Submission, para. 195.

⁷⁷ EC First Written Submission, para. 194.

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

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

due to characteristics attributable to its origin is denied registration and protection in the EC. This is *not* because the product itself does not possess the necessary characteristics related to its origin. Rather, it is because the United States has not established the EC-mandated inspection structures.

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

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

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

B. The requirement that non-EC products be encumbered by a country of origin indication on the label is inconsistent with the national treatment obligations of the GATT 1994

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

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

98. Second, the EC claims that this rule applies to both EC and non-EC products equally.

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

⁸¹ EC First Written Submission, para. 137.

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

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

C. The EC has presented no information whatsoever that the inconsistencies with GATT 1994 Article III:4 are excused by Article XX(d) of the GATT 1994

100. The United States presented information and arguments showing that the EC GI Regulation is inconsistent with the EC's national treatment obligations under Article III:4 of the GATT 1994. In addition to its general denials that there is less favorable treatment of non-EC products, the EC has also suggested, in a conclusory fashion, that any such inconsistency would be excused by Article XX(d) of the GATT 1994.⁸² As the party asserting that its GI Regulation falls within the scope of the Article XX exceptions, it is the EC, as the party asserting the defense, that bears the burden of proof. As the Appellate Body noted in *Japan – Apples*, “although the complaining party bears the burden of proving its case, the responding party must prove the case it seeks to make in response.”⁸³ The Appellate Body also noted in *United States – Shirts and Blouses*, page 14, that:

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

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

The requirements at issue are necessary in order to ensure that only those products which conform to the definition of geographical indications contained in Article

⁸² EC First Written Submission, para. 226.

⁸³ Appellate Body Report, para. 154.

12(2) of Regulation 2081/92, which is itself fully consistent with the GATT, benefit from the protection afforded to geographical indications by Regulation 2081/92.⁸⁴

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

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

V. The EC GI Regulation is Inconsistent with the MFN Obligations of the TRIPS Agreement and the Paris Convention

A. MFN obligations with respect to the nationals of non-EC WTO Members

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

- reciprocity and equivalence
- specified inspection structures, and
- the substantial participation in administering and enforcing the EC GI Regulation on behalf of its nationals

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

⁸⁴ EC First Written Submission, para. 226.

applied this Regulation to benefit the nationals of qualifying countries.⁸⁵

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

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

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

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

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

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

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

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

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

⁸⁸ EC First Written Submission, para. 237.

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

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

B. MFN obligations of EC member States with respect to nationals of all other non-EC WTO Members

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

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

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

113. Second, the EC cannot reasonably claim that whether an EC member State is complying with its MFN obligations depends on whether or not it is implementing EC regulations or its own. The only question under Article 4 of the TRIPS Agreement is whether the WTO Member concerned is granting the same advantages, favors, privileges and immunities to other WTO Members as it

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

⁹⁰ EC First Written Submission, para. 255.

⁹¹ WT/DS174/20.

grants to its own nationals. If not, there is a violation of the MFN obligation, and it does not matter *why* or pursuant to what *requirement* the WTO Member is discriminating against nationals of other WTO Members. An EC member State cannot avoid its MFN obligations simply by claiming that it is discriminating pursuant to an EC regulation.

VI. The EC GI Regulation is Inconsistent with the MFN Obligations of the GATT 1994.

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

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

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

VII. The EC GI Regulation is Inconsistent with the EC's Obligations under Article 16.1 of the TRIPS Agreement.

A. Introduction.

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

118. Specifically, as Article 14(2) of the EC GI Regulation demonstrates, even in cases where use of a registered geographical indication gives rise to a likelihood of confusion within the meaning of Article 16.1 of the TRIPS Agreement, the product that is marketed and labeled with that

⁹² U.S. First written Submission, paras. 127-129.

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

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

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

geographical indication can be sold alongside a similar or the same product that has been marketed and labeled with an identical or similar valid prior registered trademark. The owner of the trademark will have no ability to exercise its Article 16.1 rights to prevent any confusing use by the later-registered geographical indication. As the United States has emphasized in its previous submissions to the Panel, the “exclusive right . . . to prevent” confusing uses in Article 16.1 is critical to trademark owners. Without this right to exclude *all* others from confusing uses, owning a trademark would mean practically nothing, since the purpose and value of a trademark is to be able to distinguish one company’s goods from the goods of other companies. Without the ability to stop confusing uses, this value is eliminated.

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

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

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

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

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

⁹⁹ TRIPS Article 22.3; Paris Convention Article 6*quinquies*B. For this reason, the EC is wrong to argue, at paragraph 307 of its first written submission, that the United States is proposing “rigid application of the first-in-time rule.” As previously noted, the United States is concerned in this dispute with the rights accorded only to prior valid registered trademarks. Assuming that the trademark registration is valid, the United States finds it curious that the EC, also in paragraph 307, argues that priority is not appropriate “to resolve conflicts . . . between trademarks and geographical indications, because they are distinct intellectual property rights, each with its own characteristics.”

121. The EC is also wrong to argue that under the U.S. interpretation, the exclusivity of trademarks is valued over the exclusivity of geographical indications,¹⁰⁰ that the United States is supporting the “superiority of trademarks over geographical indications,”¹⁰¹ and that, in the United States’ view, trademarks “must prevail over later geographical indications.”¹⁰² The United States accepts – and nothing in its interpretation suggests otherwise – that in any given case, a trademark owner bringing an infringement claim against the user of a geographical indication might not succeed on the merits. For example, the trademark owner might not be able to prove that the particular use of the geographical indication would result in a likelihood of confusion. Or the interested party in the geographical indication might be able to show that the trademark is subject to invalidation.

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

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

See also EC Oral Statement, para. 15. The ECJ appears to disagree. Advocate General Tizzano recently issued an opinion stating that “[le] principe de la primauté du titre antérieur d’exclusivité . . . représente un des fondements du droit des marques et, d’une façon plus générale, de tout le droit de la propriété industrielle.” (“[The] principle of the priority of a preceding exclusive right . . . is one of the basic principles of trademark law and, more generally, of all intellectual property law.”) The Advocate General concluded (at paragraphs 102 and 119 of his Opinion) that the principle of priority should be applied to resolve conflicts between trademarks and trade names and that trade or commercial names, like geographical indications, are “distinct” from trademarks. Advocate General Tizzano’s Opinion in Case C-245/02, *Anheuser-Busch Inc. v. Budejovický Budvar, národní podnik*, delivered 29 June 2004. Exhibit US-51 includes official versions of the Opinion in French and Finnish, along with an unofficial English translation (from the Finnish).

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

¹⁰¹ EC First Written Submission, para. 295.

¹⁰² EC First Written Submission, para. 297.

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

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

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

B. Article 14(3) of the EC GI Regulation does not satisfy the EC’s obligations under Article 16.1 of the TRIPS Agreement

126. The EC argues, in effect, that owners of registered trademarks in the EC or its member States do not need the Article 16.1 right to prevent all uses of similar or identical geographical indications that raise a likelihood of confusion, because Article 14(3) of the GI Regulation “says that the registration of a geographical indication shall be refused if it is likely to lead to confusion with a trademark.”¹⁰⁷ (At other points, however, the EC argues that the TRIPS Agreement does not provide for the exclusivity of prior valid trademarks with respect to conflicting geographical indications.¹⁰⁸)

127. Article 14(3) provides that:

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

128. Article 14(3) does not satisfy the EC’s obligations under Article 16.1 of the TRIPS

¹⁰⁴ EC Responses to Questions, para. 204.

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

¹⁰⁶ EC First Written Submission, para. 307.

¹⁰⁷ EC Responses to Questions, para. 155.

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

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

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

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

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

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

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

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

a trademark owner may use its trademark rights in order to prevent the right holders of a geographical indication from using confusingly *any other names or other signs* (e.g. graphic signs) in conjunction with, or in place of, the name registered as a geographical indication. In other words, the right holders of a geographical indication only have a positive right to use *the name registered* as a geographical

indication.¹⁰⁹

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

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

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

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

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

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

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

¹¹³ U.S. Oral Statement, para. 55.

guaranteed under Article 16.1

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

136. Even under the EC's reading, Article 14(3) does not provide the *trademark owner* with the right to prevent confusing uses, as is required by Article 16.1 of the TRIPS Agreement. According to the EC, it merely requires the *EC authorities* to decline registration of a geographical indication in some circumstances. The trademark owner does not control this process – a factor critical to an owner's Article 16.1 rights. As stated in the preamble to the TRIPS Agreement, "intellectual property rights are private rights," and control over them by private owners is crucial.

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

138. Second, the EC notes that if a trademark owner considers that the Commission has registered a geographical indication that raises a likelihood of confusion, the owner can challenge the Commission's failure properly to apply Article 14(3) before the "courts."¹¹⁷ The United States presumes that the EC is referring to a challenge to the validity of a registration before the EU courts. Under Article 230 of the EC Treaty,¹¹⁸ a natural or legal person that is "directly and individually concerned" by a registration can challenge the validity of the registration before the Court of First

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

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

¹¹⁶ U.S. Responses to Questions, para. 68.

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

¹¹⁸ Exhibit US-26.

Instance (“CFI”), with an appeal to the European Court of Justice (“ECJ”).¹¹⁹ The very important qualification, however, is that under Article 230, the case must be brought *within two months of publication of the registration*.¹²⁰

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

140. At that stage, after the two-month period has expired, the trademark owner’s only option would be to bring an infringement challenge against confusing use of the identical or similar geographical indication.¹²¹ But as the EC has confirmed,¹²² even if the owner of a prior valid registered trademark can prove that use of an identical or similar geographical indication raises a likelihood of confusion, it will not be able to prevent use of the geographical indication. The most the trademark owner can hope for is the continued ability to sell products with its trademark affixed, without the ability to prevent confusing use of the geographical indication.

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

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

142. The EC asserts that Article 14(3) “says that the registration of a geographical indication shall

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

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

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

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

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

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

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

145. The obvious answer is that the EC has limited the circumstances in which a geographical indication will be denied registration to those instances in which a trademark’s “reputation and renown and the length of time it has been used” make the geographical indication “liable to mislead the consumer as to the true identity of the product.”¹²⁵ These criteria – “reputation and renown and

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

¹²⁴ EC Responses to Panel Questions, para. 12.

¹²⁵ The EC states that since “it would be impossible to evaluate the likelihood of confusion on the basis of only” the two criteria listed in Article 14(3), the Commission must be able to consider other criteria relevant to a determination of likelihood of confusion. See EC Responses to Panel Questions, para. 156. The more logical implication, however, contrary to the EC’s statement, is that Article 14(3) does not embody the “likelihood of confusion” standard, at least with respect to all but a certain category of marks. Moreover, the EC cites to the “Bayerisches Bier” example - in which the EC decided to register “Bayerisches Bier” as a geographical indication, despite objections from the owner of the trademark BAVARIA that the registration would raise a likelihood of confusion - as “consistent with” the interpretation of Article 14(3) offered in this dispute. EC Responses to Questions, para. 170. See also EC First Written Submission, para. 288 (footnote 140). But this decision does not, in fact, confirm the EC’s interpretation of Article 14(3) for the purposes of this dispute. The Council’s decision

the length of time . . . used” – cannot be threshold *prerequisites* that the owner of a prior valid registered trademark must invoke to prevent confusing uses by identical or similar signs. Even assuming that Article 16.1 can be entirely fulfilled by denying registration of confusing geographical indications, Article 14(3) of the GI Regulation makes the availability of those rights contingent on the trademark possessing “reputation and renown and . . . use[.]” TRIPS Article 16.1, however, requires only that the trademark be validly registered for the owner to avail itself of its rights.

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

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

148. As further evidence of the meaning of Article 14(3), in the process of bringing its laws into conformity with the EC GI Regulation upon accession to the EU earlier this year, Hungary adopted amendments to its Law on the Protection of Trademarks and Geographical Indications that demonstrate its understanding that Article 14(3) tracks the factors for determining whether a

(provided as Exhibit EC-9) does *not* say that the Council took into account factors other than the reputation, renown and length of use of the trademark in reaching its decision to register the geographical indication. All it says is that “[i]n view of the facts and information available, it was . . . considered that registration of the name . . . was not liable to mislead the consumer as to the true identity of the product.” This does not in any way confirm that the EC's interpretation of Article 14(3) is that applied in practice.

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

¹²⁷ Exhibit US-58.

trademark is well-known. In particular, Section 45(1)(c) of the amended Hungarian law reads as follows:

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

....

shall be excluded from protection.¹²⁸

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

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

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

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

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

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

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

¹³¹ See Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark, as amended, Articles 8(5), 9(1)(c) (Exhibit COMP-7.a); First Council Directive of 21 December 1988 to approximate the laws of the Member States relating to trade marks (89/104/EEC), as amended, Articles 4(3), 4(4)(a), 5(2) (Exhibit COMP-6.a). Similarly, Article 14(3) of the EC GI Regulation is not limited to the denial of registration for a geographical indication proposed for use on products similar to those associated with a trademark of reputation, renown and some length of use. Article 14(1) of Regulation 2081/92, for example, includes such a limitation, but

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

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

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

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

Article 14(3) does not. Exhibit COMP-1.b.

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

¹³³ *Id.*, para. 22.

¹³⁴ *Id.*, para. 26.

¹³⁵ *Id.*, para. 27.

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

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

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

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

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

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

155. It is also important to note that – like the EC’s novel reading of Article 12(1) of its GI Regulation – these proceedings mark the first time in which the EC has asserted that Article 14(3) “says that the registration of a geographical indication shall be refused if it is likely to lead to confusion” with any registered trademark, and not just trademarks that hold reputation and renown and have been used for some length of time.¹⁴¹ As recently as March 2004, in a “Guide to Community Regulations,” the Commission explained Article 14(3) in the following terms:

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

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

157. Outside of these proceedings, therefore, the Commission’s guidance on the EC GI Regulation is that the general rule (“all other cases” apart from “one circumstance”) involving “the existence of the registered trademark” – *i.e.*, all cases not involving a registered trademark that possesses the requisite reputation and renown and length of time used – is that Article 14(3) will *not* apply, and that the registration will be approved “notwithstanding” the registered trademark. Thus, although the EC here argues that “[i]t is not conceivable to the European Commission that it would, in the interpretation or application of the Regulation, take a different approach to the one it has set

¹⁴¹ EC Responses to Questions, para. 155.

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

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

out before the Panel,”¹⁴⁴ it appears that the Commission has itself already adopted one interpretation or application of Article 14(3) before the Panel, and a different interpretation or application (one that has the merit of being consistent with the text of Article 14(3)) when not before the Panel.

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

159. In the light of what it termed the “irrelevant” assurances given to WTO Members, and the attempt to exclude the assurances from EC court proceedings, the Commission’s assurances to this Panel on the meaning of Article 14(3) of the EC GI Regulation hardly inspire confidence. The text of Article 14(3) speaks for itself, and, in the absence of specific convincing legal authority to the contrary, that is the reading the Panel should adopt for the purposes of this dispute.¹⁴⁶

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

161. To begin, as the EC notes, Article 7(4) addresses what a trademark owner must establish to have its objection admitted. However, even if Article 14(3) were to be interpreted in light of Article 7(4), as the EC seems to suggest, the two provisions would still have to be interpreted *cumulatively*. Thus, the standard in Article 14(3) (requiring rejection of proposed registrations that are “liable to mislead” with respect to a well-known mark) would be interpreted in light of the admissibility standard in Article 7(4) (allowing admissibility of objections to proposed registrations that would “jeopardize the existence” of a mark). In the EC’s view, together these two standards would “encompass[] any instance of likelihood of confusion . . .”¹⁴⁸ But to apply this combined Article 7(4)/Article 14(3) standard to *all* trademarks, as opposed to only those trademarks with “reputation

¹⁴⁴ EC Responses to Questions, para. 31.

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

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

¹⁴⁷ EC Responses to Questions, para. 160.

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

and renown” and “use” for some “length of time,” would not amount to a *cumulative* interpretation of Articles 7(4) and 14(3). Rather, it would read the phrase “reputation and renown and the length of time used” limitation out of Article 14(3) altogether. For the Panel to accept such a reading would not amount to an “objective assessment of the facts of the case,” as is required by Article 11 of the *DSU*.¹⁴⁹

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

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

164. Second, even if the EC’s interpretation regarding the interaction between Articles 7(5)(b) and 14(3) is correct, Article 7(5)(b), by its own terms, applies only in those situations in which the EC member States are unable to agree. In all other situations, Article 14(3), which provides for the refusal of registration only where a trademark meets the criteria of reputation, renown and length of time used, would apply alone.

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

¹⁴⁹ See U.S. Responses to Questions, para. 1.

¹⁵⁰ EC Responses to Questions, para. 162.

¹⁵¹ EC Responses to Questions, para. 155.

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

C. The EC’s assertion that few trademarks that contain or consist of a geographical indication are registrable is incorrect and irrelevant

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

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

169. Second, it is simply untrue that valid registered trademarks cannot incorporate certain “geographical” elements. The United States has cited to the hypothetical example of a trademark for LUNA, in connection with cheese, and potential registration of a geographical indication for use on cheese produced in Luna, Spain.¹⁵⁴ The United States has also cited to the example of FARO, a registered Community trademark for coffee and tea, and potential registration of a geographical indication for use on coffee produced in Faro, Portugal.¹⁵⁵

170. Thus, valid registered trademarks containing or consisting of a geographical indication exist, and there is no evidence whatsoever that they are few in number. Even if the number of such trademarks were small, however, the owners of all valid registered trademarks must be granted their TRIPS Article 16.1 rights. Under the EC GI Regulation, by contrast, the very best these trademark

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

¹⁵³ U.S. Oral Statement, para. 49.

¹⁵⁴ U.S. Oral Statement, para. 50.

¹⁵⁵ U.S. Responses to Questions, para. 79.

owners can hope for is the ability to continue selling products with their trademarks affixed. The trademark owners cannot exercise the right to prevent uses of identical or similar geographical indications, even if those uses confuse consumers.

D. Article 24.5 of the TRIPS Agreement is not an exception to the rights accorded to trademarks

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

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

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

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

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

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

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

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

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

¹⁶² Para. 154.

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

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

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

175. Indeed, the EC adopted this very view when it argued that the grounds for determining the admissibility of objections to a GI registration under Article 7(4) of the GI Regulation – that it would "jeopardize the existence . . . of a mark" – "encompasses any instance of likelihood of

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

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

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

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

confusion between the proposed geographical indication and an earlier trademark”.¹⁶⁸ If, according to the EC, allowing confusing uses would “jeopardize the existence . . . of a mark”, then allowing confusing uses, contrary to Article 16.1 of the TRIPS Agreement, would also appear to “prejudice . . . the validity of the registration of a trademark” under Article 24.5.¹⁶⁹

176. The United States has also explained that the additional prohibition against “prejudice . . . [of] the right to use a trademark” refers to the harm or damage to the permitted or forbidden activity associated with the application of a trademark to its purpose.¹⁷⁰ Based on the context of Articles 15.1 and 16.1 of the TRIPS Agreement, the purpose of a trademark is to allow its owner to distinguish the owner’s goods from the goods of others, which requires that trademarks accord their owners the right to prevent all others from uses that would cause a likelihood of confusion.¹⁷¹ Thus, the “right to use” the trademark for its purposes encompasses the right to exclude others from using the trademark.

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

178. Even if one were to resort to the negotiating history (and under the customary rules of interpretation reflected in the *Vienna Convention*, one would not normally have recourse to negotiating history), as the United States has already noted,¹⁷² the progress made between the

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

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

¹⁷⁰ U.S. Response to Panel Question 76, para. 102.

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

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

Brussels draft and the Dunkel draft show that the language of Article 24.5 evolved from a simple prohibition against invalidation or denial of registration (in the Brussels Draft) to a requirement that Members not even "prejudice" the validity of the registration of the trademark. Further, this prohibition on prejudice was extended to cover common law trademarks, and a prohibition against prejudicing the right to use a trademark – on grounds of similarity with a GI – was added. Nowhere in this negotiating history – in which the scope of protection for certain trademarks was steadily increased – is there any indication of an intention to permit the emasculation of the very heart of the trademark right.

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

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

A trademark is any sign that individualizes the goods of a given enterprise and distinguishes them from the goods of its competition. This definition comprises two aspects, *which are sometimes referred to as the different functions of the trademark*,

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

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

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

*but which are, however, interdependent, and for all practical purposes should always be looked at together.*¹⁷⁶

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

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

183. In examining the context, the EC repeatedly refuses to address the fact that Article 24.5 is a clearly-labeled "exception" to the GI section.¹⁸⁰ Instead, the EC argues that the interpretation by the United States would result in a situation in which GI protection would be virtually meaningless, as GI owners would be "prohibited . . . from even using that indication."¹⁸¹ The EC apparently misunderstands the scope of the rights accorded to trademark owners by Article 16.1, which provides the right to prevent all uses that "result in a likelihood of confusion." Pursuant to the proper interpretation of Article 24.5, GIs that are identical or similar to trademarks can indeed be used in an affirmative way, but only to the extent that they do not result in a likelihood of confusion with respect to grandfathered trademarks.

184. Rather than addressing the negotiating history of Article 24.5 on its own terms, the EC purports to interpret Article 24.5 based on the negotiating history of an entirely different provision –

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

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

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

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

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

¹⁸¹ EC Response to Question 76, para. 212.

Article 24.4.¹⁸² Article 24.4 provides an exception to Article 23 of the TRIPS Agreement, by grandfathering certain uses of geographical indications for wines and spirits, by persons other than that GI right holders, that would otherwise be prohibited pursuant to Article 23 of the TRIPS Agreement. In its current form, Article 24.4 does not refer to trademarks.

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

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

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

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

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

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

prejudice the trademarks falling under Article 24.5.

E. Article 24.3 of the TRIPS Agreement does not permit or mandate the EC’s violation of Article 16.1 of the TRIPS Agreement

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

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

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

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

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

1991, three years before the WTO Agreement came into force.¹⁸⁵

193. Under the EC's expansive reading of Article 24.3 – requiring a freezing of GI protection systems regardless of *any* WTO obligation (and not just the GI obligations) – a Member could put in place a GI “protection” regime that exempted GI owners from the copyright and patent disciplines, or, indeed, any other WTO obligations, and then point to Article 24.3 as a broad exception to those obligations. Contrary to the customary rules of treaty interpretation, this would permanently render redundant parts of the TRIPS Agreement, and would lead to manifestly absurd results.¹⁸⁶ For instance, a WTO Member could deny copyright protection to any film that used the word “parmesan” in connection with any product other than the product qualifying in the EC for that name, and claim that Article 24.3 granted an exception to copyright protection.

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

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

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

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

¹⁸⁶ Vienna Convention, Article 32(b).

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

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

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

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

F. The EC has not shown that the GI Regulation's treatment of trademarks constitutes a limited exception within the meaning of Article 17 of the TRIPS Agreement

198. The EC argues that "co-existence" – by which it means the inability of a trademark owner to prevent infringing uses of identical or similar geographical indications – constitutes recourse to the "fair use of descriptive terms" limited exception included in Article 17 of the TRIPS Agreement.¹⁹⁰ The EC implies that there is support for this proposition based on the fact that U.S. law includes a "fair use of descriptive terms" exception.¹⁹¹ The United States notes that U.S. law with respect to this dispute is irrelevant, but the way in which the issue was raised is instructive for the Panel and for that reason, the United States will address the reference.

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

200. The second critical difference between U.S. law and the EC's apparent view of Article 17 is that U.S. law calls for a case-by-case analysis of whether the particular use of a sign at issue in a given case is in fact "fair use of a descriptive term", with an examination of whether the use is in a

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

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

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

¹⁹³ 15 U.S.C. Section 1115(b)(4).

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

non-trademark sense, whether there is good faith use, and other factors.¹⁹⁵ The EC, by contrast, apparently considers that every use of a registered geographical indication that is similar or identical to a registered trademark is automatically “fair use of a descriptive term,” by virtue of the simple fact that the geographical indication has been registered.

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

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

203. Applying this analysis, the inability of a trademark owner to prevent a competitor from using an identical or similar sign in the course of trade could, in most cases, destroy the economic value of the trademark by severely curtailing the “economic value of the exclusive rights conferred.” The GI Regulation places no limits on the manner in which a geographical indication can be used. Instead, the Regulation calls for simultaneous use of trademarks and conflicting registered GIs

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

¹⁹⁶ U.S. Oral Statement, paras. 74-75.

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

¹⁹⁸ *Id.*, para. 7.31.

¹⁹⁹ Emphasis added.

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

without taking “account of the legitimate interests of the owner of the trademark and of third parties.”

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

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

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

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

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

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

²⁰¹ EC Responses to Panel Questions, para. 317.

²⁰² EC Responses to Panel Questions, para. 319.

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

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

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

VIII. The EC GI Regulation is Inconsistent with Article 22.2 of the TRIPS Agreement

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

213. Similarly, the United States argued that the requirement that nationals of non-EC WTO Members cannot apply for registration and protection, or object to a GI registration directly, but must rely on the active participation and involvement of their home government is also a failure to provide the required legal means.²⁰⁵ The EC's only response is that this is a "reasonable procedure and

²⁰³ Paras. 171 - 183.

²⁰⁴ EC First Written Submission, para. 423.

²⁰⁵ U.S. First Written Submission, para. 177.

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

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

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

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

²⁰⁶ U.S. First Written Submission, para. 181.

²⁰⁷ U.S. First Written Submission, para. 182.

²⁰⁸ EC First Written Submission, para. 432.

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

IX. The EC GI Regulation Is Inconsistent with the Enforcement Provisions of the TRIPS Agreement

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

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

X. Conclusion

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

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