

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

Comments of the United States on the EC's Responses
To Questions posed by the Panel and Australia
In Connection with the Second Substantive Meeting of the Panel

September 2, 2004

1. The United States is providing comments below on the responses of the European Commission ("EC") to the second set of questions presented by the Panel and Australia on August 13, 2004. The question numbers used as headings are the questions presented to the EC by the Panel, and the paragraph numbers, if any, at the beginning of each comment refer to the paragraph number of the EC response. The United States has incorporated its comments on the EC's responses to the questions of Australia in the comments on the EC's responses to the questions of the Panel. The United States has not commented on all responses, nor has it commented on all aspects of the responses that are addressed. Silence should not be construed as agreement. With respect to many questions, the EC responses raise the same points that the EC has argued previously and that the United States has already addressed in the course of this dispute (including in its own responses to the second set of Panel questions).

Question 94

2. Two comments are in order. First, the EC again admits in paragraph 1 that the reciprocity and equivalence requirements in Article 12(1) of the GI Regulation conflict with the EC's obligations under Article III:4 of the GATT 1994.¹ Since Article 12(1) contains the requirement for equivalent inspection structures, the United States does not see the basis for the EC's claim that the requirement for EC-equivalent protection is inconsistent with Article III:4 and yet the requirement for EC-equivalent inspection structures is not.²

3. Second, despite the EC's equivocations, the fact is that the EC claimed in its first submission – and still claims in its most recent official Guide of one month ago³ – that the *obligations of the TRIPS Agreement* rendered the equivalency and reciprocity requirements inapplicable to WTO Members. Further, in its responses to Panel questions, the EC specified that the "without prejudice" language referred to *both* the TRIPS Agreement *and* the GATT 1994.⁴ And in its second submission, the EC clarified that the introductory phrase "without prejudice to international agreements" means that the provisions that follow are inapplicable to

¹ See EC Second Written Submission, para. 55, in which the EC states that when regulatory provisions are preceded by the "without prejudice to international agreements" language, this means that the international agreement prevails when there is a "conflict" between the regulatory provision and the international agreement.

² Article 12(1), foreshadowing the requirements in Article 12a(2), imposes the condition of "inspection arrangements . . . equivalent to those laid down in this Regulation."

³ Exhibit EC-64, page 18

⁴ EC Responses to First Set of Panel Questions (July 8, 2004), paras. 12-13.

the extent they *conflict* with an international agreement.⁵ The EC also specified immediately afterward in that same submission that the “without prejudice” language prevents any conflict with the national treatment obligations of the TRIPS Agreement and the GATT 1994, by rendering equivalency and reciprocity requirements inapplicable to WTO Members.⁶ Yet, as the EC has perhaps only recently come to see, the EC’s own argument necessarily means that the reciprocity and equivalence conditions of the GI Regulation provide less favorable treatment to non-EC nationals than to EC nationals. This directly contradicts the EC’s separate argument that the EC GI Regulation has nothing to do with discrimination against “nationals”. Now that it has become apparent that the EC’s earlier arguments constitute an admission that the GI Regulation *does* accord different treatment to non-EC nationals than to EC nationals, the EC is trying to back away from those earlier arguments (as it has with respect to its own consistent interpretation of its Regulation). But the truth is found in the EC’s own assessment of its own Regulation before the ramifications of that assessment became apparent: the GI Regulation does, in fact, accord different, and less favorable, treatment to non-EC nationals than it accords to EC nationals.

Question 95

4. It appears clear from the EC’s response that, prior to the EC’s first written submission in this dispute, neither the EC nor any EC institution expressed any view to anyone that the conditions of reciprocity and equivalence do not apply to WTO Members because those conditions are inconsistent with the EC’s WTO obligations.

Question 96

5. The EC’s answer speaks for itself, although the United States would note that even if the Commission did consider the “guide” – which is not a measure within this Panel’s terms of reference – to be internally binding, it would not, even in the EC’s view, be binding on any EC member States or other EC institutions, such as, most notably, the European Court of Justice (“ECJ”). Consequently, this “guide” offers no comfort that the ECJ would uphold the Commission’s strained and non-textual interpretation of the GI Regulation.

Question 97

6. The United States confesses that it does not see how any of the quoted documents support the EC’s apparent view that it “confirmed [in TRIPS Council] that there were no conditions of equivalence or reciprocity.”⁷ By contrast, the United States and Australia have documented numerous cases in which, in describing the GI Regulation to WTO Members, the conditions of equivalency and reciprocity were prominently mentioned, with no disclaimer that these conditions did not apply to the WTO Members to whom the descriptions were addressed.

7. Further, the Panel should recall that, whatever shades of nuance the EC now seeks to have the Panel read into general communications to the WTO Members over the years, the EC

⁵ EC Second Written Submission, para. 55

⁶ EC Second Written Submission, para. 56.

⁷ EC Response to Second Set of Panel Questions, para. 15.

specifically confirmed in writing the U.S. understanding that its GIs could not be registered because the United States did not satisfy the GI Regulation's conditions of equivalence and reciprocity.⁸

8. Finally, while the EC communications to other WTO Members in the TRIPS Council do nothing to dispel the conclusion that the conditions of reciprocity and equivalence apply to WTO Members, they do shed light on the issue of national treatment under the TRIPS Agreement. In the very excerpt quoted and relied upon by the EC from the official EC responses to questions from India, the EC itself described the Regulation as making a distinction between producers established in the EC, on the one hand, and "third country *nationals*", on the other. The EC was attempting to characterize the treatment as equal – "to avoid discrimination" – but was not disguising the fact that the two tracks for GI registration corresponded to nationality:

In order to obtain the same protection (Article 13 of the Regulation), if it must be complied with by the producers established in the EC, *it must also be complied with by the third country nationals, to avoid discrimination.*⁹

9. Further, lest there be any doubt as to the EC's view of its own GI Regulation, the EC specifically stated that providing protection to GIs in respect of products from third countries was required by the national treatment obligation of the TRIPS Agreement:

Article 12 of Council Regulation 2081/92/EEC provides for the same protection in respect of products from third countries which meet those requirements. *Therefore, nationals from other WTO Members are afforded treatment "no less favorable" than Community nationals, as required by Article 3 of the TRIPS Agreement.*¹⁰

The paragraph that immediately follows makes the same statements with respect to the MFN obligation under Article 4 of the TRIPS Agreement. The quoted passages from the EC's response to New Zealand are in a similar vein.¹¹

Question 100

10. The United States submits that, within a single measure and as between related measures, the calculated use of different words and phrases would normally reflect that a difference in meaning is intended.

Question 101

11. The United States finds it interesting that, in response to a claim that a measure accords

⁸ See U.S. Opening Oral Statement at the Second Panel Meeting, para. 21; Exhibit US-73, unnumbered p.4: "While it is true that US GIs cannot be registered in the EU . . .".

⁹ IP/Q2/EEC1, p. 23, cited at EC Response to Second Set of Panel Questions, para. 15 (emphasis added).

¹⁰ *Id.* Emphasis added.

¹¹ *E.g.*, EC Response to Second Set of Panel Questions, para. 12 ("the procedure followed by Community producers as outlined above must be followed, in accordance with the principle of national treatment.")

less favorable treatment to non-EC nationals than to EC nationals – in direct breach of the TRIPS Agreement and Paris Convention national treatment obligations – the EC is asking the Panel simply not to make “any comparison between nationals.” The purported ground is that the Regulation does not contain any discrimination on the basis of nationality.

12. But the TRIPS Agreement requires that non-EC nationals be accorded treatment no less favorable than that accorded to EC nationals with regard to the protection of intellectual property. That the EC would now ask the Panel not to even compare treatment of EC versus non-EC nationals in a measure that concerns protection of intellectual property is itself probative of what the EC believes such a comparison – which is mandated by the very nature of the obligation – would show. And, as discussed above, it is contrary to the EC’s communications in the TRIPS Council, which specifically *invited* such a comparison in the mistaken belief that the discrimination with respect to non-EC nationals did not amount to less favorable treatment.¹²

13. Another reading of the EC’s response is that the EC believes that, since the GI Regulation does not state literally that EC “nationals” are accorded one treatment and that non-EC “nationals” are accorded lesser treatment, the measure is *per se* non-discriminatory, and any further analysis is therefore unnecessary. As the United States has set forth in detail in its comments on Panel question 103 below, and its own responses to Panel question 103, this is simply untrue, and is contrary to findings of the Appellate Body in, for instance, *U.S. Bananas and Canada – Autos*.

14. Further, it is simply untrue as a factual matter that “the only relevant element to which the Regulation refers is the location of the area to which the geographical indication is related.” The Regulation specifically limits the ability to apply to register a GI, and thereby to obtain rights in the GI, to persons producing or obtaining the products in the relevant geographical area. Further, it is the persons established and producing the products in the relevant area that are the intellectual property rightholders whose rights are protected by the TRIPS Agreement and the Paris Convention. Finally, the right of objection is expressed purely in terms of where the person is resident or established, and where that person is “from”, which the EC itself specifically characterized in last year’s amendments to the EC GI Regulation as corresponding to the person’s nationality.¹³

15. As the United States notes above in its comment on the response to question 97, the EC itself, in communications in the TRIPS Council, characterized the requirements of the GI Regulation as applying to EC producers, on the one hand, and third country “nationals” on the other. Further, in those same communications, the EC itself asserted that, *because* the GI Regulation provides GI protection “in respect of products from third countries which meet [the requirements of Article 12]”, “[t]herefore, *nationals* from other WTO Members are afforded treatment ‘no less favourable’ *than Community nationals*, as required by Article 3 of the TRIPS

¹² See U.S. comment to EC question 97 response.

¹³ See *U.S. Opening Oral Statement at Second Panel Meeting*, para. 9; Council Regulation (EC) 693/2003 of 8 April 2003, p. 2. Exhibit Comp-1h.

Agreement.”

Question 103

16. In response to the Panel's question concerning considerations relevant to the Panel's assessment of *de facto* discrimination, the EC takes two tacks. The first is to draw various distinctions between the national treatment obligation in the GATT 1994 and the national treatment obligation in the TRIPS Agreement and the Paris Convention. This is apparently an attempt to create as much distance as possible between this dispute and the considerable body of panel and Appellate Body findings in the goods context that would lead the Panel to find a breach of national treatment with respect to intellectual property rights in this dispute. But while there are certainly distinctions between the national treatment obligation under Article III of the GATT and the national treatment obligation under Article 3 of the TRIPS Agreement and Article 2 of the Paris Convention, the Appellate Body itself stated in *U.S. – Section 211* that the national treatment obligation is a fundamental principle underlying the TRIPS Agreement, just as it was in what is now the GATT 1994.¹⁴ The Appellate Body noted further that the language of Article 3.1 of the TRIPS Agreement is similar to that of Article III:4 of the GATT 1994, and stated that “the jurisprudence on Article III:4 may be useful in interpreting the national treatment obligation in the TRIPS Agreement.”¹⁵ Indeed, one object and purpose of the TRIPS Agreement is to establish new rules and disciplines “concerning the applicability of the basic principles of GATT 1994.”¹⁶ As the Appellate Body itself has noted, national treatment is one of these principles.¹⁷

17. The United States also notes that the EC itself supported this view in the dispute *U.S. – Section 211*. Before the Appellate Body, the EC argued breaches of national treatment under the TRIPS Agreement by pointing to findings in a dispute involving the national treatment obligation with respect to goods under Article III:4, *U.S. – Section 337*.¹⁸ Further, at the panel stage of that dispute, the EC argued that:

the language of Article 3.1 of the TRIPS Agreement on "National treatment" is based on Article III(4) of the General Agreement on Tariffs and Trade ("GATT"). However, while national treatment in GATT attaches to goods - not to the respective owners of the goods - it attaches under TRIPS to the person of the right holder. This modified "attachment" *is systematically linked to the territorial character of intellectual property rights. In the EC view, the vast jurisprudence on Article III(4) of GATT, under the GATT dispute settlement system as well as under the WTO dispute settlement system, may give valuable insight for the interpretation of Article 3.1 of the TRIPS Agreement.* In any event, the basic feature contained in Article 3.1 of the TRIPS Agreement would appear to be

¹⁴ Appellate Body Report, *U.S. – Section 211*, para. 242.

¹⁵ Appellate Body Report, *U.S. – Section 211*, para. 242.

¹⁶ Second paragraph, preamble, TRIPS Agreement.

¹⁷ Appellate Body Report, *U.S. – Section 211*, para. 242.

¹⁸ See Appellate Body Report, *U.S. – Section 211*, para. 48.

straight forward. *A WTO Member cannot treat a national of another WTO Member in relation to an intellectual property right which its IPR system offers less favourably than it treats its own nationals in relation to such an intellectual property right.*¹⁹

18. Further, the EC states at paragraph 27 that “so far, Article 3.1 of the TRIPS Agreement has never been applied on a *de facto* basis.” What the EC apparently means is that no TRIPS dispute thus far has involved *de facto* discrimination. This is true, since this is only the third dispute in which a breach of national treatment under TRIPS has been alleged, and only the second in which it is a significant issue. What the EC seems to imply, however, is that there should be no *de facto* analysis, and that national treatment in the goods area is not instructive with respect to any *de facto* analysis in the TRIPS context.

19. But this implication is wrong, and is contrary to the Appellate Body’s instruction in *U.S. – Section 211* that such findings may well be useful. Incidentally, in a dispute involving a breach of most favored nation treatment obligations under the *General Agreement on Trade in Services* (“GATS”) – which, like the TRIPS Agreement, contains national treatment and MFN obligations based on treatment of *persons* instead of *goods* – the Appellate Body specifically looked for guidance to MFN findings in the goods area.²⁰ Citing *European Economic Community - Imports of Beef from Canada*,²¹ in which the panel found *de facto* discrimination, the Appellate Body found that the MFN obligation with respect to treatment accorded certain *persons* under the GATS Agreement “should be interpreted to include *de facto*, as well as *de jure*, discrimination.”²² Also relevant in this context, the Appellate Body interpreted the “person-based” MFN obligation as including *de facto* discrimination in part because the language did not exclude such an interpretation, stating that

The obligation imposed by Article II [the MFN obligation] is unqualified. The ordinary meaning of this provision does not exclude *de facto* discrimination. Moreover, if Article II was not applicable to *de facto* discrimination, it would not be difficult -- and, indeed, it would be a good deal easier in the case of trade in services, than in the case of trade in goods -- to devise discriminatory measures aimed at circumventing the basic purpose of that Article.²³

20. In analyzing the national treatment obligation under the TRIPS Agreement, the Appellate Body specifically endorsed an approach that asked whether there is differential treatment of

¹⁹ Panel Report, *U.S. – Section 211*, para. 4.108 (emphasis added).

²⁰ Appellate Body Report, *EC – Bananas*, paras. 232 - 233.

²¹ Adopted 10 March 1981, BISD 28S/92, paras. 4.2-4.3.

²² *EC – Bananas*, para. 233.

²³ *Id.*, para. 233. See also Appellate Body Report, *Canada – Autos*, in which the Appellate Body, citing its findings in *EC – Bananas*, reversed the panel and found that, despite the lack of express language, whether subsidies were contingent on the use of domestic over foreign goods should be determined on a *de facto*, and not just *de jure*, basis. It is also interesting to note that in that dispute, the EC was arguing in favor of a *de facto* analysis of the MFN obligations in the GATS. Appellate Body Report, *Canada – Autos*, para. 175.

nationals and whether that treatment "could be considered to provide a less favourable treatment to nationals of other Members as it denies *effective equality of opportunities*" to those nationals.²⁴ It is therefore relevant for this Panel to ask, for instance, whether the EC GI Regulation, with respect to French nationals claiming GI rights in a French cheese and U.S. nationals claiming GI rights in a U.S. cheese, is denying "effective equality of opportunities" to those U.S. nationals. In this context, the EC's argument that the TRIPS Agreement national treatment obligation would always require that the treatment of pharmaceutical patent holders be compared to the treatment of motor vehicle part patent holders is irrelevant for purposes of this dispute.

21. Finally, it is untrue that the complainants have focused in this dispute purely on discrimination based on the origin of the goods, and not on discrimination between nationals.²⁵ The United States will not reiterate all of its arguments here, but only notes that there is a strong link between the nationality of the person able to apply for GI registration/protection, and whether that person can take advantage of the "domestic track" for registration or is relegated to the "foreign" track for registration under the GI Regulation. The EC has also confirmed in the TRIPS Council that what it believes to be equal treatment with respect to producers of non-EC based GI is required by the national treatment obligation of the TRIPS Agreement.²⁶

22. The EC's second tack in responding to the Panel's question concerning *de facto* discrimination is to conjure a false "conflict" between the obligations under the GATT Article III and TRIPS Agreement Article 3.1. As the United States has already noted, however, there is nothing unusual about a measure being covered by two different sets of obligations, and there is nothing about this situation that requires anything other than the normal approach to the interpretation of the agreement provisions. More particularly, there is nothing in this situation that presents any kind of "conflict." Certainly, nothing in this situation would support narrowing the obligations in one or the other of the agreements at issue. Further, the United States reiterates that the lack of a general Article XX exception in the TRIPS Agreement – but the specific inclusion of particular exceptions in Article 3.2, based on the Paris Convention and on language similar to Article XX(d) – can only be regarded as deliberate.

Questions 104-105

23. The United States refers to its response to Panel's question 104, concerning the interpretation of "separate customs territory Member of the WTO", and offers only the following comments on the EC's response. First, there is nothing in the word "separate" that suggests that the term "customs territory Member of the WTO" (which "separate" modifies), can only mean a subpart of a country. The word "separate" can, and in context does, just as equally mean separate from other WTO Members (*i.e.*, the EC as a WTO Member "separate" from its EC member States, who are also WTO Members), and "separate" in the sense of "separate" from "country"

²⁴ Appellate Body Report, *U.S. – Section 211*, para. 258 (emphasis added).

²⁵ EC's Response to Second Set of Panel Questions, para. 32.

²⁶ EC Response to Second Set of Panel Questions, para. 15; See U.S. comment above on EC response to question 97, above.

Members of the WTO. There is no question that the EC’s customs territory is “separate” from that of France, or Italy, or any of the other 23 member States – it is a distinct customs territory that is separate from that of the countries that make up the EC. Indeed, it would be odd to think that a customs union was not intended to create a customs territory separate from that of its constituent Members. Indeed it is clear from Article XXIV:8(a) of the GATT 1994 that a customs union creates a “separate” customs territory since it defines a customs union as the “substitution of a single customs territory for two or more customs territories.” The single customs territory is “separate” and distinct from the two or more customs territories for which it substitutes.

24. Second, although the EC Treaty has a concept of EC “citizenship” as applied to natural persons, it does not confer any nationality itself, and does not contain any concept of “nationality” as applied to legal persons. Further, what the EC itself may consider to be “nationals” and what are considered “nationals” under the WIPO administered treaties listed in Article 1.3 of the TRIPS Agreement – which apply only to countries, and not to entities like the EC – are two different things.

Question 106

25. The United States has presented to the Panel substantial information and argument demonstrating that, particularly in the area of agricultural products and foodstuffs, it is *EC* nationals that claim rights in *EC-based* GIs, and *non-EC* nationals that claim rights in *non-EC-based* GIs. Consequently, a regulation that discriminates based on where a person is established producing GI products discriminates based on nationality.²⁷ Four months after the United States submitted its first submission to this effect, on April 23, 2004, the EC has not been able to present a single example of a non-EC national claiming rights in an EC-based GI (*i.e.*, quadrant 2 of China Taipei’s model in the U.S. response to Panel question 101). This is in spite of the fact that it is the EC, and not the United States, that has the best access to the relevant information and the relevant private and public sector stakeholders who would know. If there were such persons, the EC would certainly have informed the Panel and the complainants.

26. In other words, not only are there no non-EC-based GIs registered under the EC GI Regulation – compared to over 600 EC-based GIs – but there is also no indication whatsoever that any non-EC national has been able to become a rightholder in any EC-based registered GI. Effectively, non-EC GI rightholders have simply been shut out by the requirements of the EC GI Regulation.²⁸

27. Further, the EC appears to concede, at paragraph 51, that there is no further information

²⁷ The United States has also argued that it is not critical to a finding of a breach of national treatment under the TRIPS Agreement that the Panel find, as a matter of fact that there are no non-EC nationals claiming rights to EC-based GIs, or EC nationals claiming rights to non-EC GIs. See U.S. Response to Panel Questions 101-103.

²⁸ Although the EC cites two examples of one EC member State national owning companies in another EC member State, there is no indication that, even in those cases, the producing companies were not incorporated in the EC member State in which they are established.

available that would shed any additional light on this question. Therefore the information presented to the Panel demonstrates that the EC GI Regulation distinguishes based on nationality and accords less favorable treatment to non-EC nationals than it accords to EC nationals.

28. As a final point, the EC claims “at the outset” that the Panel is wrong to focus on the nationality of the GI “applicant”, since, according to the EC, the “conditions for applicants are a procedural modality of the application process” and the applicant is not identical with the rightholder. This is wrong. Under the GI Regulation, the applicant is a group or a natural or legal person that applies to register the agricultural products or foodstuffs “*which it produces or obtains*”. Article 5(2) of the GI Regulation. It is clear that the applicant is the GI rightholder for that product. It is thus perfectly appropriate to inquire into the nationality of that person, as the Panel has done.

Question 107

29. The EC again appears to claim that, simply because the GI Regulation does not use the word “national” (which is the only reasonable way to understand the EC’s conclusory mantra that the Regulation “does not involve any discrimination on the basis of nationality”), it cannot breach national treatment obligations. The EC behaves as if the legal and practical requirement that a legal person become a “national” in order to establish itself in the EC producing agricultural products and foodstuffs is a mere accident or coincidence, and thus irrelevant. But practical and legal considerations – primarily on the face of the GI Regulation, but also in conjunction with other legal and practical factors – mean that EC nationals can have their GIs registered and protected under the GI Regulation, while non-EC nationals cannot. Such a situation spells out a breach of national treatment under the TRIPS Agreement and the Paris Convention.

Question 112

30. For the reasons submitted in its response to this question, there *is* a requirement under the GI Regulation to recognize any country that satisfies the conditions in Article 12(1) of the GI Regulation, contrary to the EC’s response.

Question 114

31. *Paragraph 68.* The United States notes that, contrary to the implications of the EC, Article 12a(2)(a) requires the WTO Member to determine whether a GI application satisfies the requirements of the GI Regulation, not of the TRIPS Agreement; this is not a determination of whether the GI falls under the definition of a GI under Article 22.1 of the TRIPS Agreement. There are obvious differences between the definition of a GI in the GI Regulation and the definition in the TRIPS Agreement, and the GI Regulation imposes a host of requirements that have no relation to the TRIPS Agreement definition of a GI.²⁹

²⁹ *E.g.*, Articles 2(3)-2(6), 3(2), 4, 5(1), and 10, to name but a few GI Regulation requirements that are not related to the TRIPS definition of a GI.

32. *Paragraph 69.* In this response, the EC confirms the U.S. argument in response to the Panel’s question 128, that the EC is not simply allowing other WTO Members to determine whether the GI Regulation requirements, including inspection structures, are satisfied. Rather, having required other WTO Members to establish inspection structures and to determine whether the GI Regulation’s requirements are met, the EC unilaterally reserves to itself the overriding power to decide whether the WTO Member’s determination is right or wrong.

Question 115

33. The EC confirms that, for purposes of objections under the Regulation, the person that is “from a WTO Member country” is the same as the person who is “resident or established in the WTO Member country.” In turn, this is the same person that the EC itself describes as the “national” of the WTO Member who had to be granted the right to object in order to comply with the TRIPS Agreement.³⁰ The United States does not see how the EC can maintain that the person resident or established in a WTO Member is considered a “national” of that Member for purposes of objections, but that the same person established and producing a product in that same WTO Member is not a “national” of that WTO Member when it comes to submitting applications for GI protection. Particularly since the EC maintained the exact opposite – that such a person *is* a national of that WTO Member – when trying to justify the TRIPS-consistency of the GI Regulation in TRIPS Council.³¹

Question 116

34. The United States notes the EC’s indifference to whether other WTO Members have the legal competence to determine whether the requirements of the EC’s GI Regulation are satisfied, and reiterates its view that it is not clear on what basis other WTO Members can deem or not deem that the requirements of other WTO Members’ laws are met. This is a separate question from whether it is necessary that the WTO Member itself, rather than the rightholder, demonstrate that a GI is protected in the country of origin.³² The United States also reiterates that, contrary to the assertions of the EC, what the GI Regulation requires is not a determination of whether a GI applicant meets the TRIPS Agreement definition of a GI; rather, Article 12a(2) of the GI Regulation requires on its face that the WTO Member determine that all of the GI Regulation’s requirements are met.

35. Finally, the United States notes that the EC here, and not for the first or last time³³ in this proceeding, mischaracterizes the United States as having acknowledged that what the EC characterizes as the “transmission” of GI applications and objections are “purely ministerial”:

³⁰ See U.S. Opening Oral Statement at Second Panel Meeting, para. 9; Council Regulation (EC) 693/2003 of 8 April 2003, p. 2. Exhibit Comp-1h.

³¹ See U.S. comment to EC response to Panel question 97, above.

³² See U.S. comment to EC response to Panel Question 136, *infra*.

³³ This mischaracterization is repeated a number of times in the EC’s responses.

they are not, as even the EC acknowledges in its responses to the Panel’s questions.³⁴ In the passage that the EC incorrectly and repeatedly seizes upon, the United States was responding to a specific hypothetical Panel question that “from a practical point of view . . . it would probably not be difficult to designate an office in the U.S. government to perform a *purely ministerial act* of transmitting registration applications and objections to the EC.”³⁵ But, as the United States made plain in the following paragraph of the same response, what the GI Regulation requires is far from a “purely ministerial act”. Therefore, the EC errs in claiming that the United States regards the EC GI Regulation’s requirements as a purely ministerial act.

36. *Paragraph 77.* As discussed below in the U.S. comments with respect to questions 135 and 136, the EC has provided no convincing reason why the EC cannot itself assess whether the requirements of the EC GI Regulation have been met, on the basis of information provided by the rightholder.

37. *Paragraphs 78-80.* The United States submits that unilaterally forcing other WTO Members to establish particular inspection structures and to determine whether a GI application meets the requirements of the EC GI Regulation is, in no sense of the word, “cooperation”.

Question 120

38. If the EC is correct that current country of origin marking requirements satisfy the requirements of Article 12(2) of the GI Regulation, then it is not clear what Article 12(2) adds or why a specific provision burdening non-EC GI products is necessary.

Question 126

39. *Paragraph 103.* The United States submits that the distinctions drawn by the EC with respect to when “third countries” includes WTO Members and when it does not are not supported by the very text of the Regulation itself.

Question 127

40. The United States notes that this response emphasizes the burden being placed on other WTO Members with respect to the establishment of particular inspection structures, without any indication of why it is necessary that the WTO Member itself establish such structures, as the Panel’s question asks.

Question 131

41. The Panel asks a direct question: whether any EC Directives “require foreign involvement in the designation/approval of conformity assessment bodies, when mutual acceptance agreements in the conformity assessment area do not already exist.” In response, the

³⁴ *E.g.*, paragraph 139 of the EC Response to the Second Set of Panel Questions, in which the EC says that “by transmitting the application, the government of the country of origin certifies that it deems the requirements of Article 12a(2) [which, *inter alia*, requires a determination that all the requirements of the GI Regulation have been met] to be fulfilled.”

³⁵ U.S. Response to First Set of Panel Questions, para. 74 (emphasis added).

EC discusses and provides examples of cases in which importing countries have agreed to allow conformity assessment bodies in the territory of another WTO Member to assess conformity with the importing country's regulations. But the EC fails to address the Panel's question, because the approach taken by the GI Regulation is apparently unprecedented as well as WTO-inconsistent. The United States submits that there is a substantial difference between an importing WTO Member allowing another WTO Member, as an option, to designate conformity assessment bodies on its own territory to assess conformity with regulations of the importing country (or a mutual agreement to that effect), and a WTO Member unilaterally requiring other WTO Members to establish particular inspection structures as a condition of meeting the importing country's regulatory requirements.

Questions 135 and 136 [EC's Article XX(d) Affirmative Defense]

42. A few initial comments are appropriate with respect to the Article XX(d) issue. Apparently for tactical reasons, the EC decided to present virtually no information or arguments with respect to its GATT 1994 Article XX(d) affirmative defense until its second submission on July 22, 2004. This meant that the United States' first opportunity to respond to the EC's Article XX(d) arguments was in its oral statement at the second Panel meeting. In that oral statement, the United States presented a full response to the EC's arguments, demonstrating that the EC had failed even to argue most of the elements required by Article XX(d):³⁶ the EC did not argue that the measures at issue were "to secure compliance" with laws or regulations (instead arguing generally only their relation to the "objectives" of the EC GI Regulation and to its "implementation"), and did not identify the "laws or regulations" with which the measures were supposedly designed to secure compliance that were consistent with the GATT 1994. Further, the United States demonstrated that the GATT-inconsistent measures were not "necessary" in any sense, showing that there are other measures reasonably available to the EC (indeed, showing that the EC itself had identified such measures in attempting to show that its GATT-inconsistent measures had some parallels with other measures used by the EC, the United States and other WTO Members).

43. Finally, in response to the EC's unsupported single-sentence assertion that its GATT 1994-inconsistent measures met the requirements in the chapeau to Article XX(d), the United States argued that these measures are applied in a manner which constitutes a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail or a disguised restriction on trade. As the United States explained, the requirements of the GI Regulation mean that any country that protects GIs in the same manner as the EC – with EC-style inspection structures and with legal mechanisms for assessing whether the requirements of the GI Regulation are satisfied – may obtain registration and protection of its GIs. Those WTO Members that do not have such systems cannot obtain such protection. These are countries where the same conditions prevail, but, because the EC favors countries that protect GIs the way it does, the EC arbitrarily and unjustifiably discriminates between them.

³⁶ U.S. Opening Oral Statement at Second Panel Meeting, paras. 51-61.

44. The Panel's questions 135 and 136 are designed to extract from the EC the arguments and information that it should have presented, but failed to present, as its affirmative defense. As discussed further below, the EC continues to fail to show that it qualifies for the Article XX(d) exception with respect to the issues raised by the Panel. But to the extent that open questions remain with respect any of these issues, the United States submits that the Panel should be cognizant that it was the EC's burden to present convincing information and arguments that its WTO-inconsistent measures are nonetheless justified by an Article XX(d) exception. There may be many unanswered questions and incomplete arguments in the EC's responses to the Panel's questions, and the cost of not making the Article XX(d) arguments clear at this stage must, in the U.S. view, be borne by the EC.

45. Further, the United States notes that the EC has presented no information or argument whatsoever – not in any closing oral statement at the second Panel meeting, and not even in response to the Panel's questions – to rebut the U.S. arguments that its GATT-inconsistent measures do not satisfy the requirements of the *chapeau* to Article XX(d) – that is, that they are applied in a manner that which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail or a disguised restriction on trade. Since the EC has failed even to attempt to rebut these arguments, and keeping in mind the Appellate Body's instruction that panels may not make a case for a party,³⁷ the United States requests that the Panel find that the EC has failed to show that its GATT-inconsistent measure satisfies the requirements of Article XX(d).

Question 135 [Article XX(d)'s requirement that the measure be a "measure to secure compliance with laws or regulations which are not inconsistent with the provisions of [the GATT 1994]."]

46. *Paragraph 122.* The relevant "measures" for which the Panel should assess compliance with Article XX(d) are the requirements of the GI Regulation that the United States alleges are inconsistent with the GATT 1994. These include the reciprocity and equivalence requirements of the GI Regulation, as well as the requirements that WTO Members assess compliance of GI applications with the EC GI Regulation and certify certain information to the EC concerning the application and concerning the WTO Member's GI protection system, and that the WTO Members satisfy various EC requirements related to inspection structures. These heavy burdens placed on WTO Members, which have been set out in detail in the U.S. submissions, oral statements, and responses to questions in this dispute, are not simply "verification" and "transmission" of GI applications, as suggested by the EC.

47. *Paragraph 125.* The EC states that the function of the inspection structures is to secure compliance with the requirement in Article 4(1) of the GI Regulation that products bearing a protected name comply with a "product specification" (and the similar requirement in Article 8 of the GI Regulation). But the contents of the "product specification" are listed in Article 4(2) of

³⁷ See Appellate Body Report, Japan - Measures Affecting Agricultural Products ("Japan - Agricultural Products"), WT/DS76/AB/R, adopted 19 March 1999, para. 129 (stating that it is the complainant's burden to make a *prima facie* case, and that a panel is not entitled to "make the case for the complaining party.")

the GI Regulation, and it is not clear how the requirement for specific “inspection structures” relate to securing compliance with those specifications. Specifically, and considering each of the “product specifications” in Article 4(2) of the GI Regulation, the requirement for inspection structures does not appear to have any relation to securing compliance with

- a. the name of the product – which would appear to simply be a fact allowing the product to be registered
- b. a description of the physical characteristics of the product – which should be verifiable from an examination of the product itself upon importation: either the product has the characteristics or it does not (and, in any case, those characteristics would not be more readily verified through on-site inspections than through other means)
- c. definition of the geographic area – which is just a definition and not susceptible to “inspection”
- d. evidence that the product originates in the area – either there is or is not evidence that the product originates in an area; the evidence can be evaluated upon application, and inspection structures could not be considered to “secure compliance” with such evidence
- e. description of method of obtaining the product – to the extent this is relevant for particular names, it would seem that this factor would be reflected in the product itself, considering that the Article 2(2) definition concerns “quality or characteristics” of the product.
- f. link between geography and the product – again, there either is or is not a link between the two: inspection structures will not “secure compliance” with such a link
- g. details of inspection structures – it is non-sensical to require inspection structures to secure compliance with inspection structures
- h. specific labeling details – like the “name”, this simply reveals how the product will be labeled; inspection structures will not secure compliance with these details
- i. any other requirements – it is not clear how inspection structures would secure compliance with these unspecified requirements

48. In sum, contrary to the EC’s arguments, there appears to be little or no relationship between the “product specifications” in Article 4(2) and the “inspection structures” that the EC claims are designed to “secure compliance” with those specifications. Indeed, with respect to several “specifications” it is not even clear what “securing compliance” means. To the extent the concept of “securing compliance” is relevant at all with respect to the Article 4(2) “specifications” – for instance, how does one secure compliance with a “name” or a “geographic area” – the inspection structures do not appear at all suited to securing any such compliance. The United States submits that the EC has not sustained any burden of showing that the requirement

for inspection structures “secures compliance” with the specifications.

49. Further, although the EC argues that the inspection structure requirement is to “secure” compliance with the “product specifications”, it does not show how the “product specifications” constitute “laws or regulations which are not inconsistent” with the GATT 1994, which Article XX(d) requires. For instance, the “product specifications” include details of required inspection structures, which the United States has shown is GATT-inconsistent.

50. *Paragraph 126.* The EC states that “verification (and incidentally also the transmission)” of the application by the country of origin serve the purpose of establishing whether the requirements of the GI Regulation are satisfied. But regardless of whether this is the purpose, having the WTO Member assess whether an application meets the EC GI Regulation’s requirements, and requiring the WTO Member to transmit the application to the EC, along with other documents and declarations required under Article 12a(2) of the GI Regulation, do not “secure compliance” with the GI Regulation. At best, such requirements solicit the WTO Member’s view as to whether, in the case of a particular applicant, an applicant meets the standards set in the EC GI Regulation and require the communication of that view to the EC (however irrelevant, since it is the EC, and not the WTO Member, that makes the determination as to whether a GI will be registered). Whether or not a particular product satisfies the legal requirements of the EC GI Regulation – and therefor may be registered and protected in the EC – is a legal judgement based on the facts presented as applied to the legal provisions of the GI Regulation. It has nothing to do with whether a product or the applicant is “complying” with the Regulation. So, neither aspect of this measure – neither the so-called “verification” (actually an assessment of whether the Regulation’s requirements are met under Article 12a(2)), nor “incidentally also the transmission” – have anything to do with “securing compliance”, as required by GATT Article XX(d).

51. *Paragraph 127.* The EC claims that the requirement that foreign GIs be burdened with a country of origin label “secures compliance” with the requirement that foreign GIs may only be granted with due regard for local and traditional usage and the practical risks of confusion. The EC also claims that this requirement secures compliance with the requirement that only qualifying products may use a “GI” label. With respect to the first point, it is, in part, the very fact that *foreign* GIs, and not *domestic* GIs, have to bear the burden of removing risks of confusion that give rise to the WTO breach in the first place. This labeling requirement is not, therefore, in any sense securing compliance with a WTO-consistent regulation. To the contrary, it is making the discriminatory nature of the requirement more concrete. As to the second point, the United States fails to see any relation between this country of origin labeling requirement and the requirement that a product comply with the Regulation in order to bear a protected GI. Further, this requirement does not satisfy the requirement in the *chapeau* to GATT Article XX(d) that the GATT-inconsistent measure not be “applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or a disguised restriction on international trade.” EC member States, as well as other WTO Members, are all equally situated with respect to making sure that the consumer is able to distinguish between GI products. Therefore it is arbitrary and unjustifiable to require that only

non-EC GIs bear the burden bearing the distinctive country of origin label.

52. *Paragraph 128 - 129.* While the EC is correct that Article XX(d) refers to measures to secure compliance, and not “enforcement mechanisms” *per se*, it is plain that the WTO-inconsistent requirements of the EC GI Regulation are neither “enforcement mechanisms” nor measures “to secure compliance”. Rather they appear to be part of a process intended to assess whether applications from non-EC GI holders should be accepted – a process that creates enormous burdens for foreign GIs – that is not justified under Article XX(d).

53. *Paragraph 130.* The EC's argument is circular. The EC claims that the GI Regulation itself is the WTO-consistent regulation with which the WTO-inconsistent requirements noted above are designed to secure compliance. But the EC GI Regulation itself is not consistent with the WTO – that is what this dispute is about. Therefore, despite the Panel's direct question, it is still unclear as to what WTO-consistent “laws or regulations” the WTO-inconsistent requirements of the EC GI Regulation are supposed to ensure compliance.

Question 136 [Whether the measures are “necessary” to ensure compliance].

54. *Paragraph 131.* The EC has referred to its requirements under Article 12a(2) – that other WTO Members assess whether applications from their nationals meet the requirements of the EC GI Regulation, provide a description of the legal basis for protection of the GI in the country of origin, file a declaration that the EC-mandated inspection structures are established on their territory, and submit all other relevant documents – simply as “verification”, presumably to minimize the appearance of the extent of the responsibility being placed on other WTO Members by the EC. But EC reacts with some alarm at the Panel's suggestion that what is at stake is simple “verification” that the GI at issue is protected in its country of origin. Therefore, the EC responds to the Panel's question by attempting to justify broader Article 12a(2) requirements, not just those related to whether the GI is protected in its country of origin.

55. But none of the EC's responses show that the requirements of Article 12a(2) are “necessary” in any sense. The EC says that assessment of whether the application complies with the requirements of the EC GI Regulation – that is, not only the requirement that it be protected in the country of origin, but the substantive requirements, concerning, *e.g.*, whether the product possesses the required characteristics – requires local knowledge, which “typically” only the country of origin will have. It is not clear whether knowledge of local conditions *is* necessary, but even if it is, the EC itself only believes that the country of origin will “typically” have such information. The GI Regulation leaves no option for countries that do not have such information. The EC's own justification is thus a virtual admission that the WTO Member itself will not necessarily have more or better information than other parties (for instance the rightholder). Further, the EC claims that on-site checks “may also” be required, which the EC could not carry out without consent of the country of origin. But this answer suggests that such on-site inspections are not necessary under the GI Regulation. If so, it is unclear what remains of the EC's argument that the involvement of the WTO Member is “necessary” on the basis of on-site inspections that themselves are *not* necessary. Further, whether the WTO Member consents or not to the EC's on-site checks is not at issue: the GI Regulation does not anticipate or even

permit such an option. If it did, this would be another matter. Consequently, there is no basis for finding that the Article 12a(2) requirements are in any sense “necessary”.

56. The United States notes in this connection that, even in the case of measures to protect human or animal life or health falling within the scope of the *Agreement on the Application of Sanitary and Phytosanitary Measures* (“SPS Agreement”), the SPS Agreement states that where such a measure “specifies control at the level of production, the Member in whose territory the production takes place shall provide the necessary assistance to facilitate such control and the work of the controlling authorities.”

57. *Paragraph 133.* In essence, the Panel asks why the GI Regulation cannot provide an opportunity to the rightholder itself to show that his GI is protected in the country of origin. The EC's non-response is that it does not appear that a U.S. rightholder would be able to present an “authenticated certificate of registration.” But this response is irrelevant, and demonstrates a bias against non-EC systems of GI protection. There is no reason that the GI Regulation could not permit other, equally valid methods for the rightholder to establish that his GI is protected in the country of origin. The assumed absence of a particular document is no excuse to deny to the rightholder the opportunity to prove entitlement to registration and protection in other ways (ways that WTO Members other than the EC currently use to effectively protect GIs).

58. *Paragraphs 135 - 138.* Referring to Article 24.9 of the TRIPS Agreement – allowing WTO Members not to protect GIs that are not protected in their country of origin – the EC claims that absence of an EC-style specific GI registration system in other WTO Members makes it “particularly necessary” that the relevant WTO Member “verify” the GI application, in particular showing that the GI is protected in the country of origin. But, to the contrary, it is the widespread existence of those non-registration systems among the WTO Membership that makes it important to impose this requirement on the rightholder, not the WTO Member itself. In the absence of a central registration system, it is the rightholder, not the government, that will be in the best position to provide the legal provisions and the usage on the basis of which his GI is protected in the country of origin. For instance, it is the rightholder, not the government, who will know whether there has been a judicial decision upholding protection of his GI. It is the rightholder, not the government, who can provide information on the usage of his GI in the country of origin.

59. The United States suggests that the Panel be particularly wary of this line of reasoning from the EC, as it amounts to a “back-door” method of imposing the EC's system of GI protection on other WTO Members as a condition of providing GI protection. As the United States has explained elsewhere, the TRIPS Agreement specifically provides leeway to WTO Members in implementing their obligations. Article 1.1 states that “Members shall be free to determine the appropriate method of implementing the provisions of this Agreement within their own legal system and practice.” The need for this freedom is particularly obvious in the area of GIs, where there is a broad variety of methods of providing protection.³⁸ Yet, the EC GI

³⁸ See, e.g., “Document SCT/6/3 Rev. on Geographical Indications: Historical Background, Nature of Rights, Existing Systems for Protection and Obtaining Protection in Other Countries,” World Intellectual Property Organization (WIPO) Document SCT/8/4 (April 2, 2002) (Exhibit US-5); “The Definition of Geographical

Regulation, by requiring the WTO Member, instead of the rightholder, to show that the GI is protected in the country of origin, essentially requires WTO Members to adopt a centralized system similar to the registration system adopted by the EC, nullifying Article 1.1 of the TRIPS Agreement unilaterally. Members that do not have an EC-style system – but that protect GIs through, for instance, unfair trade statutes or common law certification mark systems – are not in as good a position as the rightholder to demonstrate that the GI is protected, and yet are penalized under the EC GI Regulation. Indeed, the EC itself recognizes that it is penalizing systems for GI protection that are different from the EC system, when it admits, at paragraph 135, that persons with GIs from WTO Members that do not protect GIs through an EC-like GI-specific registration system may find it more difficult to meet the EC's requirements.

60. The Panel should also consider the full consequences of the EC's argument. The EC claims that, in addition to the registration system for GIs, it also protects GIs through unfair trade laws and laws against deceptive advertising. The United States wonders whether the EC would be satisfied if the United States refused to allow EC nationals to file applications for GI certification marks for certain names or to use unfair trade laws with respect to those names unless the EC could show that those specific names were registered as GIs in Europe. Yet that is exactly what the EC is requiring of other WTO Members in the GI Regulation.

61. *Paragraphs 139-141.* The EC has no real response to the question of why it is necessary for the WTO Member, instead of the rightholder, to “transmit” the GI application, other than to claim, incorrectly, that the United States admits that this would be a “purely ministerial act” and that “it would not appear to have a significant impact on imports”. But, as the United States made perfectly plain in the very response that the EC repeatedly and incorrectly cites,³⁹ what the EC GI Regulation requires is not a purely ministerial act of transmission: to the contrary, the EC GI Regulation imposes substantial requirements on WTO Members with respect to GI applications of its nationals.⁴⁰ Further, the EC even admits, in paragraph 139 of its response, that “by transmitting the application, the government of the country of origin certifies that it deems the requirements of Article 12a(2) [which, *inter alia*, requires a determination that all the requirements of the GI Regulation have been met] to be fulfilled.” What the EC has failed to answer is the key question asked by the Panel: why is it necessary for the WTO Member, instead of the rightholder to submit the application?

62. *Paragraphs 142-144.* The EC offers no answer whatsoever to the Panel's direct question of why it is “necessary” for WTO Members to transmit objections to the EC, other than to claim

Indications,” WIPO Document SCT/9/4 (October 1, 2002) (Exhibit COMP-16).

³⁹ As noted above, the United States responded to a specific hypothetical Panel question that “from a practical point of view . . . it would probably not be difficult to designate an office in the U.S. government to perform a *purely ministerial act* of transmitting registration applications and objections to the EC.” (Para. 74. Emphasis added.) But, as the United States made plain in the following paragraph of the same response, what the GI Regulation requires is far from the “purely ministerial act”. Therefore, the EC is wrong to claim that the United States regards the EC GI Regulation's requirements as a purely ministerial act.

⁴⁰ U.S. Response to First Set of Panel Questions, para. 75.

that it is purely ministerial (which, despite the EC’s mischaracterization of the U.S. responses to the Panel questions, it is not), and that it “does not have any significant impact on trade in goods.” But the issue under Article XX(d) of the GATT 1994 is whether the measure is “necessary to secure compliance” with a WTO-consistent law or regulation, not whether the EC believes that the requirement will have a significant trade impact or whether it is “purely ministerial”. Indeed, panels and the Appellate Body have emphasized that a breach of Article III:4 of the GATT 1994 does not require a showing of an actual trade impact.⁴¹ If this is the best the EC can do to meet its Article XX(d) burden, the EC’s non-response only adds weight to the conclusion that such a requirement is not necessary.

63. The United States also notes that, the EC’s statement to the contrary notwithstanding, the United States has included deficiencies in the GI Regulation’s right of objection as a part of its arguments under the GATT 1994.⁴²

64. *Paragraph 145.* Article 6(6) of the GI Regulation, which applies to EC-based GIs, only requires that there be a “clear distinction in practice” between the two EC-based homonyms, without any specific requirement of country of origin labeling. This is an admission in the GI Regulation itself that a requirement for country of origin labeling is not “necessary”, since it apparently is unnecessary with respect to EC-based GIs.

65. *Paragraph 146 - 149.* The EC has presented no reasons why it could not itself designate inspection bodies in the United States or conduct its own inspections. The EC suggests that, somehow, because such inspections may require on-site audits and inspections, these options are not possible. But the United States does not see why either of those options is inconsistent with the possible need for on-site inspections or audits.

66. The Panel did not ask why the EC does not itself conduct the inspections, but the EC nevertheless volunteers that any such option would require the agreement of the WTO Member concerned. But this does not appear to present any impediment to the EC itself conducting its own inspections in relation to the requirements of its own Regulation. The EC offers no suggestion that Members would object to such inspections. Indeed, the EC’s citation to the WTO Antidumping and SCM Agreements⁴³ confirms the groundlessness of the EC’s objections. It is true that the Antidumping and SCM Agreements provide rules related to on-site verifications in the exporting country of information provided to the importing country’s antidumping and countervailing duty administrators. However, those agreements did not provide the “right” to carry out those verifications. Long before these agreements were in place, both the EC and the United States conducted such on-site verifications in the exporting country as part of antidumping and countervailing duty investigations. The only thing that changed as a result of

⁴¹ See U.S. Response to First Panel Questions, para. 65, *citing*, *U.S. – Gasoline*, *U.S. – Section 337*, *U.S. – FSC (Article 21.5)*.

⁴² See, e.g., U.S. Second Written Submission, paras. 89-95.

⁴³ Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 and Agreement on Subsidies and Countervailing Measures, respectively.

the Antidumping and SCM Agreements is that those verifications were subjected to certain disciplines. Consequently, it is simply untrue that, in the absence of a specific WTO agreement, the EC cannot provide for on-site inspections outside of the EC.

67. Finally, it is equally untrue that the EC GI Regulation requirements are fully compatible with the practices of the parties in the field of conformity assessment, as asserted by the EC. The United States does not see the relevance of the EC's reference to its response to Panel question 127, but the United States is aware of the normal practice that importing countries impose their own inspection requirements in the territory of the importing country, as necessary, to ensure that imported products meet any applicable requirements. *See* U.S. Response to Second Set of Panel Questions, paragraphs 50-51. Even where on-site inspections of manufacturing facilities are required, as is the case, for instance, with respect to pharmaceutical manufacturing facilities, such on-site inspections are primarily carried out by the administering authorities of the importing country. In addition, consistent with the TBT Agreement, an importing party may agree to accept the results of conformity assessment procedures conducted in the exporting country, and may designate conformity assessment bodies in that territory for that purpose.⁴⁴ However, this is very different from a situation in which the exporting WTO Member is required to establish inspection structures as dictated by the importing country, as is required under the GI Regulation.

68. *Paragraph 152.* Again, the EC offers no reason that WTO Members themselves must establish specific inspection structures, instead of permitting the rightholder to provide the necessary assurances, including through independent inspections. The EC merely asserts, with no reason or justification, that inspection bodies can only carry out their functions “through some form of public oversight.” But this is a conclusion without reasons, and is insufficient to demonstrate that such a requirement is “necessary”.

69. *Paragraph 153.* As above, the EC offers no reason why it could not itself conduct any necessary inspections or designate bodies that could. It is of course, irrelevant that EC producers may have to pay for inspections; nothing would prevent requiring appropriate payment from non-EC producers.

70. *Paragraph 154-155.* In these paragraphs, the EC is simply attempting to back away from the rigid inspection requirements imposed on non-EC WTO Members that are plainly set out in Article 10 of the EC GI Regulation.

Overview of Comments to Trademark Questions 137 - 156

71. To assist the Panel in considering the specific U.S. comments on each of the EC responses with respect to trademark rights, which are set out further below, the United States believes it useful to present the following initial overview of those comments.

72. The United States argues that the GI Regulation deprives the owner of a registered

⁴⁴ *See* U.S. Response to Second Set of Panel Question, para. 50.

trademark of its ability to prevent third parties from using identical or similar signs in a manner that results in a likelihood of confusion, as required by Article 16.1. The EC essentially acknowledges that the GI Regulation is inconsistent with TRIPS Article 16.1 when, at paragraph 166 of its responses, it states that it "can confirm that a trademark owner cannot prevent the holders of a registered geographical indication from using the name or names registered under Regulation 2081/92 on the grounds that the use of such name or names is confusing per se with an earlier trademark." This is a clear admission that the GI Regulation is inconsistent with Article 16.1. In its defense, the EC then justifies this departure from the requirements of Article 16.1 in four ways:

- Article 14(3) of the GI Regulation prevents registration of GIs that are confusingly similar to prior registered trademarks, thereby preserving the Article 16.1 rights of trademark owners.
- TRIPS Article 24.5 allows for the coexistence of a GI with an earlier registered trademark.
- TRIPS Article 24.3 prevents the EC from implementing the protections of TRIPS Article 16.1 because it would "diminish the protection of geographical indications that existed in that Member immediately prior to the date of entry into force of the WTO Agreement."
- TRIPS Article 17 allows for the elimination of the TRIPS Article 16.1 rights as a "limited exception."

73. None of these explanations is sufficient to justify departure from the strict requirements of TRIPS Article 16.1.

EC GI Regulation Article 14(3)

74. The EC's reliance on Article 14(3) as a rough substitute for a trademark owner's Article 16.1 rights is misplaced in several respects. In sum, even if the EC's reading of Article 14(3) is correct, the provision does not grant trademark owners the right to prevent "use[s] in the course of trade" of identical or confusingly similar signs. Importantly, however, the EC's reading of Article 14(3) is incorrect, and inconsistent with how the provision has been interpreted by the EC outside the confines of this dispute.

75. As the United States has shown, merely enabling the EC authorities to deny registration of a GI that is identical or confusingly similar to a valid prior registered trademark is not sufficient. In its comments, the United States demonstrates that not all (and in fact not many) trademark owners will be entitled to challenge before EC or member State courts the failure by the EC authorities to use Article 14(3) to deny registration of particular GIs. For example, GIs registered via accession treaties are not subject to invalidation pursuant to Article 14(3), and therefore any trademarks with which such GIs are confusingly similar are not provided Article 16.1 rights.

76. Additionally, Article 16.1 requires Members to grant trademark owners the right to

prevent "us[es] in the course of trade" that result in a likelihood of confusion with respect to their trademarks. The EC's reliance on Article 14(3) presupposes that a trademark owner will necessarily be able to know, at the time of registration, every way in which a GI rightholder will use the registered name, and how consumers in any given territory in the EC will perceive that use. The United States has shown that a trademark owner will not necessarily so know. Nonetheless, the EC makes clear that to enjoy its Article 16.1 rights, the owner of a trademark in one member State can not simply seek to enjoin "use[s] in the course of trade" of an identical or similar GI that confuse consumers in that one member State, but must first invalidate the GI on an EC-wide basis, on a showing that consumers EC-wide are confused (presuming, incorrectly, that Article 14(3) includes a "likelihood of confusion" standard).⁴⁵ Thus, even if the EC's reading of Article 14(3) were correct, it would not constitute an adequate substitute for Article 16.1 rights.

77. Moreover, and putting these points aside, the EC's argument that Article 14(3) is essentially a "likelihood of confusion" standard is simply not supportable. The plain wording of Article 14(3) demonstrates that it requires a different standard from likelihood of confusion: Article 14(3) enables the EC authorities to deny registration of a GI where the GI would "mislead the consumer" with respect to a prior trademark, in light of that trademark's reputation, renown and length of time of use. The "likelihood of confusion" standard and the "mislead the consumer" standard are clearly distinguished elsewhere in EC law, and the use of one over the other in the EC GI Regulation is not accidental.

78. Finally, the EC Guide to the GI Regulation confirms that Article 14(3) grants authority to deny registration "only in one circumstance" – when faced with a prior valid trademark that enjoys reputation, renown and use. While the EC argues that the reference in Article 14(3) to reputation, renown and use are merely shorthand references to a few of the factors involved in a likelihood of confusion analysis, the United States has shown that in EC and member State law and jurisprudence, those three elements are not necessary to find a likelihood of confusion. They are, however, prerequisites to the denial of registration for a GI, under Article 14(3). In the EC's view, these prerequisites in Article 14(3) even override the presumption, in TRIPS Article 16.1, that use of an identical sign on identical goods raises a likelihood of confusion. The EC goes so far as to state that a trademark owner cannot enjoin use of an identical GI on identical goods, unless it can show that the trademark has been used and is known to the public in the EC.⁴⁶

Article 24.5

79. The EC continues to argue that Article 24.5 is not an exception to GI protection, despite the fact that (1) by its very terms, Article 24.5 limits the protection of GIs *vis-à-vis* trademarks, thereby constituting an exception to GI protection (and not to trademark protection); and (2) Article 24.5 is a part of Article 24, which is labeled "international negotiations; exceptions". As

⁴⁵ See Exhibit US-73, pg. 6 (the EC "examines consumer confusion . . . with respect to the whole European public.").

⁴⁶ EC Responses to Questions following the Second Panel Meeting, para. 220.

an exception, Article 24.5 acts as a shield for covered trademarks against GIs, and contains no provisions for limiting trademark rights. The EC's reliance on Article 24.5, apparently by negative implication, as allowing for coexistence of trademarks and conflicting GIs denies the drafters' ability to specifically provide for coexistence when coexistence is intended.

Article 24.3

80. By its terms, Article 24.3 has no place in a discussion as to whether the obligations of Article 16.1 are met. It is telling that the EC failed to answer the direct question from the Panel as to whether an obligation to diminish the pre-existing protection of GIs in order to allow trademark owners to exercise their rights under Article 16.1 would arise under Article 16.1 or the GI section. The Panel's question derives from the fact that TRIPS Article 24.3 prevents diminishment of protection for GIs that could be caused by "implementing this Section", referring to Part II, Section 3 of the TRIPS Agreement. It follows that any diminishing of GI protection that could arise by virtue of implementation of another section of the TRIPS Agreement, including the trademark section, is not prohibited by Article 24.3.

Article 17

81. The immunity provided to GI owners for the use of registered GIs is far from being a "limited exception" to the Article 16.1 trademark rights under Article 17 of the TRIPS Agreement. The EC GI Regulation in fact provides for a blanket, or unlimited, exception to the protections of Article 16.1. The EC seems to defend the exception as being "limited" because it would only be an exception in a limited number of cases. That is not what is required by Article 17: it must be a limited exception even if it is an exception with respect to only one trademark.

82. Further, the GI Regulation does not take into account the interests of anyone other than producers of certain agricultural products. In responding to the question as to what the "legitimate interests of the owner of the trademark" are, the EC begins with the remarkable statement that "[a] trademark which has never been used or which is virtually unknown . . . could be easily replaced without significant prejudice to the owner." This reveals an utter failure to take into account the interests of the trademark owner, much less the population of consumers who would undoubtedly be confused by having, for example, identical terms used on identical products side-by-side on the grocery store shelves.

83. Lastly, the EC's defense of the GI Regulation implies that all uses of registered GIs must be automatically entitled to the "fair use" exception by simple virtue of registration alone, without considering the facts of a particular case or whether such "use" is actually "fair". Especially given that non-geographic terms can be registered pursuant to the GI Regulation, it is difficult to understand how all uses of a registered GI can be unequivocally deemed "fair". One problem is that the GI Regulation provides blanket rights to use the GI rather than considering each particular use on a case-by-case basis, as is the case under the trademark laws of the EC and other jurisdictions the EC references in its responses. The EC offers the possibility that a trademark owner may resort to particular labeling and misleading advertising laws, as well as member State unfair competition laws. But even if recourse to such laws were possible, they do not consider the interests of trademark owners in the manner required by TRIPS Article 17; they

may be sufficient to meet the general obligations of Article 10bis of the Paris Convention, but they are not sufficient to meet the specific trademark obligations under the TRIPS Agreement.

84. U.S. comments with respect to each of the EC’s responses to Panel questions follows.

Question 137

85. As it has throughout this dispute, the EC ignores fundamental problems with its argument that Article 14(3) serves as an adequate substitute for TRIPS Article 16.1. As the United States has frequently noted, Article 14(3) merely enables the *EC authorities* to deny *registration* of a GI. Moreover, the EC is enabled by Article 14(3) to do so “only in one circumstance” – when faced with a prior valid trademark that enjoys reputation, renown and use.⁴⁷ In contrast, TRIPS Article 16.1 requires the EC to grant *trademark owners* the right to prevent confusing “*use[s] in the course of trade*” of identical or similar signs. Nor are Article 16.1 rights limited only to those trademarks that enjoy reputation, renown and use.

86. The EC’s response to the Panel’s question can be distilled down to two related statements. First, the EC states that under Article 14(3) of the EC GI Regulation, “the EC authorities will refuse a proposed geographical indication [*if it*] *is anticipated* that, when used in what the United States calls ‘trademark-like fashion’, it will result in a likelihood of confusion.”⁴⁸ Similarly, the EC asserts that “[i]n principle, a name which has been found not to be confusing *per se* following the assessment required by Article 14(3) should not give rise to confusion when used subsequently.”

87. Putting this “principle” to the test, however, demonstrates the critical error in the EC’s assertion that Article 14(3) adequately substitutes for TRIPS Article 16.1 rights. The EC asserts that if a GI is not *per se* confusingly similar to a prior valid registered trademark at the time the GI is registered, then it is impossible that unanticipated uses that raise a likelihood of confusion could subsequently arise.

88. The fact is, however, that confusing uses not foreseen at the time of application for, and registration of, a GI can arise. As the United States has explained, a trademark owner will not necessarily know, at the time of registration, what uses a GI rightholder will employ, or how consumers in a particular territory will perceive those uses. This is so for several reasons, two of which the United States addresses below.

89. First, the United States has shown that product specifications – *if* available for review by trademark owners⁴⁹ – do not necessarily contain the “specific labelling details” that the EC

⁴⁷ Guide to Community Regulations, “Protection of Geographical Indications, Designations of Origin and Certificates of Specific Character for Agricultural Products and Foodstuffs” (Working Document of the Commission Services issued by the European Commission Directorate-General for Agriculture, August 2004), pg. 24. Exhibit EC-64.

⁴⁸ EC Responses to Questions following the Second Panel Meeting, para. 161 (emphasis added).

⁴⁹ The United States notes that in many instances, the product specifications are withheld or otherwise not available. U.S. Responses to Questions following the Second Panel Meeting, para. 65.

asserts will offer definitive and circumscribed guidance on those uses of the GI that may arise and would be permitted or specifically prohibited.⁵⁰ Even if a product specification did include “specific labelling details” limiting the presentation of the sign on a product label, it is evident that the manner in which a GI is presented on a product label, on the one hand, and how that GI is marketed or promoted, on the other hand, can be two very different things. Labeling details included in a product specification have no necessary bearing on how the GI is used in marketing or promotion of the sign.⁵¹

90. Second, the EC acknowledges that a GI registration gives authorized users the right to use the registered term in a manner that is considerably more than merely descriptive.⁵² Under the TRIPS Agreement, this is perfectly acceptable, as long as such use does not breach other provisions of the Agreement. The United States does not in any way, as the EC seeks to imply,⁵³ suggest otherwise. This point simply illustrates that the range of uses that a rightholder in a GI registered in the EC is authorized to employ is not necessarily readily apparent at the time of registration. It also demonstrates that there is not nearly as clear a distinction as the EC implies between use of the sign registered, which it says is authorized, and use of “other names,”⁵⁴ which it says is not authorized. Nor is it, as the EC suggests, a simple matter of distinguishing between the sign registered and “deformed, mutilated or otherwise manipulated” use of that sign.⁵⁵ The EC’s acknowledgment that a GI rightholder is entitled to use the term in a “trademark-like” fashion shows that the universe of potential and authorized uses of the sign registered is not a finite concept, and is certainly not evident at the time of registration. If uses that would confuse consumers in a particular territory with respect to an identical or similar prior registered trademark arise at some later date, Article 16.1 grants the owner of that trademark the right to enjoin them. Article 14(3) does not.

91. The United States makes one final observation on the EC’s response. Oddly, the EC repeats its assertion that three GIs registered pursuant to the Czech Republic’s Act of Accession to the EU are “outside the Panel’s terms of reference.”⁵⁶ As the Panel is aware, the United States is challenging the consistency of the EC GI Regulation itself with TRIPS Article 16.1. It has not

⁵⁰ See U.S. Opening Oral Statement at Second Meeting, para. 78, and Exhibit US-77.

⁵¹ It is possible that the labeling details included in a product specification might speak more generally about marketing of the product in general, such as the Bitto product specification included in Exhibit EC-99. However, as the Panel will note, other product specifications, including those in Exhibits EC-101 and US-77, do not always include such limits.

⁵² See EC Oral Statement at Second Meeting, para. 184; EC Responses to Questions following the Second Panel Meeting, para. 161.

⁵³ EC Oral Statement at Second Meeting, paras. 161, 180.

⁵⁴ See EC Responses to Questions following the Second Panel Meeting, para. 167.

⁵⁵ EC Responses to Questions following the Second Panel Meeting, para. 162.

⁵⁶ EC Responses to Questions following the Second Panel Meeting, para. 157. See also EC Second Written Submission, para. 292.

raised claims against the three Czech GIs.⁵⁷

92. Although it is clear that a complainant need not show actual application of a measure in contravention of an obligation, much of the EC's first written submission was devoted to its view that the U.S. and Australian claims under TRIPS Article 16.1 are "purely theoretical."⁵⁸

According to the EC, this is either because trademarks containing or consisting of geographical elements lack distinctiveness and are as such not registrable (thus making the possibility of conflicts with identical or similar registered GIs unlikely), or because Article 14(3) would prevent the registration of any GI that raises a likelihood of confusion with a prior registered trademark.

93. To demonstrate that its claims were not "purely theoretical," the United States, in response to a request from the Panel to disclose the names of any registered GIs that are identical or confusingly similar to EC trademarks, offered several examples,⁵⁹ including the three Czech GIs.⁶⁰ The United States noted that the rightholders in the three GIs are asserting a right, based on the registration, to use these three names in translation,⁶¹ in a way that has in some jurisdictions been found to raise a likelihood of confusion with respect to prior valid registered trademarks.⁶²

94. Moreover, the United States has noted that Article 14(3), which the EC has asserted provides protection for *all* prior registered trademarks against registration of confusingly similar GIs, does not in fact protect all such trademarks. In its comments on the EC response to question 142, below, the United States shows how significant numbers of trademarks and trademark owners will not be accorded any rights under Article 14(3). As one example, the United States has noted that GIs (like the three Czech GIs) registered *via* acts of accession are immune from challenges to their validity on the basis of Article 14(3), even if they are identical or confusingly similar to prior registered trademarks.⁶³

95. Thus, it is not relevant whether the three Czech GIs, or the other examples cited by the United States, are within the Panel's terms of reference. The United States has used those GIs as

⁵⁷ Of course, as noted below, the Panel's findings could affect trademark rights in future disputes regarding infringing uses of these GIs.

⁵⁸ EC First Written Submission, para. 277

⁵⁹ U.S. Responses to Questions following the First Panel Meeting, para. 79; U.S. Second Written Submission, para. 169; U.S. Oral Statement at Second Panel Meeting, para. 74.

⁶⁰ U.S. Responses to Questions following the First Panel Meeting, paras. 77-78. *See also* U.S. Second Written Submission, para. 134; U.S. Responses to Questions following the Second Panel Meeting, para. 68.

⁶¹ Exhibit US-53.

⁶² U.S. Responses to Second Set of Panel Questions, para. 70, Exhibits US-81 through US-83. As a result, the EC's statement that "the United States does not argue that any of [the three Czech names] gives rise to a likelihood of confusion with the name 'Budweiser'" is in error. *See* EC Responses to Questions following the Second Panel Meeting, para. 157.

⁶³ *See* U.S. Closing Statement at Second Panel Meeting, para. 18; U.S. Responses to Questions following the Second Panel Meeting, para. 68 (note 36).

illustrations of the manner in which the EC GI Regulation operates and the scope of protection granted by registration under the Regulation, and as a means of rebutting erroneous factual assertions made by the EC about its law in the course of this dispute. They are relevant to the Panel’s “objective assessment of the facts of the case,” within the meaning of Article 11 of the DSU. Moreover, to the extent that the Panel’s findings address the rights that should be accorded trademark owners *vis-à-vis* particular uses of identical or similar GIs on identical or similar goods and services, those findings would be relevant to trademark rights in future disputes regarding infringing uses of those example GIs.

Question 138

96. The United States submits that the phrase “[w]ith due regard to Community law” in Article 14(2) of the EC GI Regulation, also refers to the provision in Article 142 of Regulation (EC) No. 40/92, which the EC describes as meaning that the relationship between trademarks and GIs is controlled by the GI Regulation.

Question 139

97. Paragraph 166 of the EC’s response essentially constitutes an admission that the GI Regulation is inconsistent with TRIPS Article 16.1:

The EC can confirm that a trademark owner cannot prevent the holders of a registered geographical indication from using the name or names registered under Regulation 2081/92 on the grounds that the use of such name or names is confusing *per se* with an earlier trademark.

98. Article 16.1 grants trademark owners the right to enjoin uses of identical or similar GIs that raise a likelihood of confusion. The EC denies trademark owners that right, and thus violates Article 16.1.

99. The EC continues, in paragraph 167, to state that two factors qualify the right to use the registered GI. First, the EC states that “the right to use the registered name does not confer a right to use other names not covered by the registration, or to use the registered name together with other signs or as part of a combination of signs.”⁶⁴ As the United States noted in its comment on the EC response to question 137, however, a distinction between use of the sign registered, and use of “other signs,” simply begs the question of what uses of the registered sign are authorized. The EC has noted that registration confers the right to use a GI in a manner that is considerably more than merely descriptive. Specifically, the EC has stated that registration confers the right to use the GI in a “trademark-like sense.”⁶⁵ While this is in principle perfectly legitimate under the TRIPS Agreement, it demonstrates that potential uses of the GI are broad, and that the owner of an identical or similar prior registered trademark will not necessarily be aware of all potential uses at the time of registration – much less which of those uses will be

⁶⁴ EC Responses to Questions following the Second Panel Meeting, para. 167.

⁶⁵ See EC Oral Statement at Second Panel Meeting, para. 184; EC Responses to Questions following the Second Panel Meeting, para. 161.

considered confusingly similar by consumers in a given territory. Therefore, as required by Article 16.1, the owner needs the opportunity to enjoin those uses “in the course of trade” as they arise.

100. Second, the EC states that labeling, misleading advertising, and unfair competition laws qualify the right to use a registered GI. However, those laws are not adequate substitutes for Article 16.1 rights. The EC does not argue that those laws permit a trademark owner to enjoin use of identical or similar signs that raise a “likelihood of confusion.”

101. In paragraph 169, the EC states that registration of a GI “establishes a legal presumption that the use of that name as a geographical indication does not give rise *per se* to a likelihood of confusion with an earlier trademark . . .” The EC continues, stating that “[i]n order to be able to exercise its trademark rights the trademark owner must rebut first that legal presumption by invalidating the registration of the geographical indication.” The legal basis to do so, according to the EC, is found in Article 14(3) of the GI Regulation.

102. Under TRIPS Article 16.1, however, the owner of a registered trademark has the right to enjoin confusing uses of identical or similar signs. Nothing in Article 16.1 suggests that this right is contingent on the owner first rebutting any presumption created by the subsequent registration of a confusingly similar sign under the EC GI Regulation. (In fact, Article 16.1 includes a presumption that operates in precisely the opposite manner implemented by the EC in the GI Regulation. With respect to uses of identical signs on identical goods or services, Article 16.1 presumes that the competing sign raises a likelihood of confusion.)

103. Nor is there anything in Article 16.1 that requires the trademark owner to first “invalidate” any intellectual property rights associated with the similar sign before enjoining a use of that sign that confuses consumers in a given territory. As the United States has previously observed, under Article 16.1, rather than seeking invalidation of a GI registration on an EC-wide basis, the owner of an identical or similar prior trademark registered in one EC member State is entitled to prevent particular “uses” of the GI that confuse consumers in that member State.⁶⁶ The EC has previously stated that to invalidate a GI on an EC-wide basis, the owner of a trademark would need to prove that consumers are confused “with respect to the whole European public.”⁶⁷

104. For these reasons, invalidating a GI registration under the standard included in Article 14(3) involves a considerably higher showing than would be required simply to enjoin particular uses “in the course of trade” that confuse consumers in a particular member State, under Article 16.1 (or rather, as implemented in EC law, under Article 5 of the EC Trademark Directive).⁶⁸

⁶⁶ U.S. Responses to Questions following the Second Panel Meeting, para. 69; U.S. Closing Statement at Second Meeting, para. 17.

⁶⁷ Exhibit US-73, pg. 6.

⁶⁸ The United States also reiterates that while Article 16.1 provides rights to owners of all registered trademarks, Article 14(3) provides those rights only to owners of trademarks that enjoy reputation, renown and use. *See* Guide to Community Regulations, “Protection of Geographical Indications, Designations of Origin and

Article 14(3) is not, therefore, an adequate substitute for Article 16.1.

105. The EC notes, in paragraphs 163 and 170, that some WTO Members may require the owner of a prior registered trademark to first invalidate a later similar or identical trademark before pursuing an infringement claim against the latter mark. The United States' claims in this dispute involve the consistency of the EC GI Regulation alone with TRIPS Article 16.1. Other Members' measures are not at issue in this dispute.

106. The United States also notes, however, that the provisions of other Members' laws cited in footnote 68 to the EC's response are not analogous to Article 14(3). In those instances, the grounds for invalidating a later-in-time trademark are the same as the grounds for establishing infringement with respect to an earlier-in-time trademark.⁶⁹ As noted in paragraph 163 of the EC's response, the grounds for invalidating the later-in-time mark are that it is confusingly similar to an earlier-in-time mark, which is of course also the standard for establishing infringement, under national laws implementing TRIPS Article 16.1.

107. The grounds included in Article 14(3) for invalidation of a GI, however, are not the same as the grounds for establishing infringement with respect to a prior registered trademark. Indeed, as noted above, the national trademark laws cited to by the EC include precisely the Article 16.1 standard as the basis for determining whether a trademark should be registered over an earlier trademark. The grounds included in Article 14(3) and 16.1 differ in two important respects.

Certificates of Specific Character for Agricultural Products and Foodstuffs" (Working Document of the Commission Services issued by the European Commission Directorate-General for Agriculture, August 2004), pg. 24. Exhibit EC-64.

⁶⁹ As is a consistent theme in this case, the EC tells only part of the story – leaving the Panel with an incomplete and misleading picture of relevant law and legal principles. All of the countries whose laws are cited to in footnote 68 of the EC's response are members of the Commonwealth and have historical ties to the United Kingdom. Hence, the law of the United Kingdom is representative of the general approach taken to this matter by the countries whose laws are cited to by the EC. As noted in the excerpt of the United Kingdom's Trade Marks Act 1994 cited to by the EC (Section 11(1)), the provision is subject to Section 47 of that Act on declaration of invalidity of registration. Section 47(2) provides that "[t]he registration of a trade mark may be declared invalid on the ground . . . that there is an earlier trade mark in relation to which the conditions set out in section 5(1), (2) or (3) obtain." Section 5(1) and (2) read as follows:

(1) A trade mark shall not be registered if it is identical with an earlier trade mark and the goods or services for which the trade mark is applied for are identical with the goods or services for which the earlier trade mark is protected.

(2) A trade mark shall not be registered if because— (a) it is identical with an earlier trade mark and is to be registered for goods or services similar to those for which the earlier trade mark is protected, or (b) it is similar to an earlier trade mark and is to be registered for goods or services identical with or similar to those for which the earlier trade mark is protected, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the earlier trade mark.

Section 47(6) then provides that "[w]here the registration of a trade mark is declared invalid to any extent, the registration shall to that extent be deemed never to have been made."

108. First, and as noted above, in determining whether to deny registration under Article 14(3), the EC “examines consumer confusion . . . with respect to the whole European public.”⁷⁰ In contrast, in determining whether use of a similar sign raises a likelihood of confusion with respect to a trademark registered in one EC member State, courts determine whether consumers in that member State are confused. The EC Trademark Regulation provides for relative grounds of refusal of a Community trademark application in Article 8. The owner of an earlier trademark may file an opposition (Article 42) or invalidation action (Article 52) against the registration of a confusingly similar Community trademark. Article 8(1)(b) provides: Upon opposition by the proprietor of an earlier trade mark, the trade mark applied for shall not be registered:

if because of its identity with or similarity to the earlier trade mark and the identity or similarity of the goods or services covered by the trade marks there exists a likelihood of confusion on the part of the public *in the territory in which the earlier trade mark is protected*; the likelihood of confusion includes the likelihood of association with the earlier trade mark." (emphasis added)

109. The EC Trademark Regulation itself therefore provides that the likelihood of confusion must be assessed with regard to the territory in which the earlier trademark is protected. According to Article 8 (2) of the Trademark Regulation, an earlier trademark is not only an earlier Community trademark, but also includes a trademark registered in an EC member State. Hence, assessing whether a likelihood of confusion exists between a trademark application and an earlier trademark registered in an EC member State requires an examination of whether a likelihood of confusion exists with regard to the public in that particular member State.⁷¹

110. Second, as the United States has previously demonstrated, Article 14(3) does not include the “likelihood of confusion” standard applied in infringement cases. Rather, Article 14(3)

⁷⁰ Exhibit US-73, pg. 6.

⁷¹ See, e.g., Case T-99/01, *Mystery/Mixery*, 15 January 2003, para. 37 (“In this case, given that beverages in Class 32 are everyday consumer items and that the earlier mark on which the opposition is based is registered and protected in Germany, the relevant public by reference to which the likelihood of confusion must be assessed is composed of average consumers in that Member State.”); Case T-104/01, *Fifties/Miss Fifties*, 23 October 2002, para. 29 (“In this case, given the nature of the goods concerned (denim clothing) which are everyday consumer items, and the fact that the earlier mark on which the opposition is based is registered and protected in Spain, the targeted public by reference to which the likelihood of confusion must be assessed is composed of average consumers in Spain.”); Case T-10/03, *Conforflex/Flex*, 18 February 2004, para. 39 (“In this case, given the nature of the goods concerned, namely items of bedding and bedroom furniture, which are everyday consumer items, and the fact that the earlier marks are registered and protected in Spain, the target public with reference to which the likelihood of confusion must be assessed is composed of average consumers in Spain.”). These decisions, which were similarly cited in footnote 74 to the U.S. Responses to Questions following the Second Panel Meeting, are available at <http://europa.eu.int/jurisp/cgi-bin/form.pl?lang=en>. See also OHIM Board of Appeal, Case R 433/2002-3, *Tei-Fu/Tai-Fun*, 11 December 2002, para. 26 (“The assessment of whether the public will either confuse the marks in competition or make a connection between the proprietors of those signs and confuse them, given the existence in the market of the mark applied for and the earlier trade mark, must therefore be carried out from the perspective of the relevant public in Germany because of the fact that the opposition is grounded on a national trade mark registration in this Member State.”) (also cited by the United States, at footnote 77, and available at: http://oami.eu.int/LegalDocs/BoA/2002/en/R0433_2002-3.pdf).

adopts a “mislead the consumer” standard. As noted in paragraph 104 of the U.S. responses to the Panel’s questions, the words “mislead” and “confusion” have different meanings – the former used in the EC GI Regulation in the sense of affirmatively leading the public to believe something about the product that is not true, and the latter used in Article 16.1 in the sense of a failure or inability to distinguish.

111. Moreover, as noted in paragraph 88 of the U.S. responses to the Panel’s questions, the EC Trademark Regulation and Trademark Directive differentiate between the two standards.⁷² Accepting that “liable to mislead” in Article 14(3) actually means “likelihood of confusion” would require the Panel to overlook the objective fact that those standards are expressly differentiated in EC trademark law.

Question 140

112. In paragraphs 177-178, and Exhibits EC-99 through EC-102, the EC offers “approved specifications” for four cheeses referred to in Exhibit US-52.⁷³ The United States makes several observations.

113. The Panel had asked the EC “what uses . . . the registrations . . . permit.” The EC has not answered the Panel’s question. Labeling specifications do not necessarily dictate or limit how or in what ways the GI may be marketed or promoted, as the United States has already noted in its comment on the EC response to question 137.

114. Moreover, the “labeling details” included in the specifications do not offer much guidance to a trademark owner trying to figure out whether, at the time of registration, the GI could one day be used in a manner that raises a likelihood of confusion. The specification for Esrom, for example (Exhibit EC-101) merely states that the label “must *contain*” particular words. It does not say that the label must consist of those words and only those words. The specification does not state that the label may not also include other words or signs, in addition to those that the label “must contain.” The labeling details for Bra (Exhibit EC-102) are also not specific, and merely state that “the product must be marketed with the label of the relevant manufacturers’ consortium.” There are no limits placed on what that label can contain or consist of; there is no guidance regarding how to determine what the “relevant” manufacturers’ consortia are, or any depiction of what their GI might look like in use on a consortium’s label. Even more dramatic are the product specifications included in Exhibit US-77, which contain nothing more than a name or the word “PGL.”

115. In none of these instances would the owner of a similar or identical trademark be able to

⁷² Compare Article 50.1(c) of EC Regulation 40/94 with Article 9.1(b) of that same measure. Exhibit COMP-7. Compare also Article 12.2(b) of EC Directive 89/104/EEC with Article 5.1(b) of that same measure. Exhibit COMP-6.

⁷³ The United States offered specifications received from the EC authorities for these four cheeses, in Exhibit US-52. Exhibits EC-99 through EC-102 contain additional pages, some of which are historical in nature and which appear to speak to production methods, rather than offering guidance on the manner in which the sign registered can or must be used.

tell, from the registration and product specification itself, that the rightholder is authorized to use the registered GI in the manner displayed in the pictorial depictions included in Exhibit US-52. The simple point is that until the registered GI is used, the trademark owner will not necessarily know how it will be used, or if it will confuse consumers in a particular territory. For this reason alone, Article 14(3) is not an adequate substitute for TRIPS Article 16.1.

116. The Panel has asked the EC how far the positive right to use a registered GI extends “before it can be challenged under labeling and misleading advertising laws.” Whatever the threshold, one thing is clear – the EC has not established that EC and member State labeling and misleading advertising laws, as well as unfair competition laws, include the same “likelihood of confusion” standard contained in TRIPS Article 16.1.⁷⁴

117. To illustrate where the threshold falls, the EC refers to the Bayerisches Bier case, and states as follows:

[I]f the holder of a geographical indication which has a right to use a certain name (say “Bayerisches Bier”) were to use it in a manner which imitates the label or the packaging of the products of a trademark (“Bavaria”), this could be considered as a breach of the laws on labeling and unfair competition, even if the constituent elements of the label or the packaging, other than the trademark itself, were not covered by any intellectual property rights.⁷⁵

118. This example entirely misses the United States’ point. The owner of the BAVARIA trademark has the right, under Article 16.1, to enjoin any use of a sign similar to “Bavaria” that raises a likelihood of confusion for consumers in a given territory. The trademark owner’s right is not limited to the ability to enjoin uses of a label or packaging that is similar to that included on its products. Rather, it has the right, under Article 16.1, to enjoin use of any identical or similar sign – a word, for example – that raises a likelihood of confusion. As the EC makes clear with its example, EC and member State labeling and misleading advertising laws, as well as unfair competition laws, do not provide this right. Instead, they provide the right to prevent “imitating” uses not of the sign itself, but of the sign in conjunction with other elements or other elements of the labeling or packaging that do not necessarily include the sign at all.

119. The examples cited in paragraph 182 of the EC’s response make a similar error. According to the EC, EC and member State labeling and misleading advertising laws, or unfair competition laws, would prohibit use of a GI “used together with other signs or statements that suggested or indicated that the geographical indication is in fact the trademark of a producer.” Again, the right in Article 16.1 is to enjoin use of an identical or similar sign, as such, that raises a likelihood of confusion.

⁷⁴ Those standards are in fact different from the “likelihood of confusion” standard included in TRIPS Article 16.1. *See, e.g.*, the standards included in paragraph 143 (and notes 38-40) of the EC Responses to Questions Following the First Panel Meeting.

⁷⁵ EC Responses to Questions following the Second Panel Meeting, para. 181.

Question 142

120. The United States' comments on the EC's response to this question also include comments on the EC's related responses to questions 2 and 3 from Australia.

121. The EC has asserted that if the owner of a prior registered trademark considers that the EC has registered an identical or similar GI that raises a likelihood of confusion with respect to the trademark, the owner can challenge the validity of the GI registration, on the basis of Article 14(3) of the EC GI Regulation. The EC asserts that this is a sufficient substitute for the right, under TRIPS Article 16.1, to enjoin confusing uses of identical or similar signs.

122. To begin, the United States has demonstrated that Article 14(3) does not embody the "likelihood of confusion" standard required by TRIPS Article 16.1 (*see, e.g.*, the United States' comment on the EC's response to question 139, above). Moreover, requiring a trademark owner to seek invalidation of a confusingly similar registered GI, rather than granting the owner the right to enjoin only those "uses" of the GI that confuse consumers in a particular territory, is inconsistent with Article 16.1 (*see* the United States' comment on the EC's response to question 139, above). Additionally, Article 14(3) is not available to owners of trademarks that do not enjoy reputation, renown and use. The Commission's Guide to Regulation 2081/92 unequivocally confirms this reading.⁷⁶

123. For these reasons alone, Article 14(3) does not serve as an adequate substitute for Article 16.1 rights.

124. For the sake of argument, however, the United States would like to leave these threshold points aside. Even so, however, for the ability to challenge the validity of a GI under Article 14(3) to serve as an adequate substitute for Article 16.1, the ability to challenge must be available to *owners of all valid registered trademarks*, because Article 16.1 provides rights to owners of *all* valid registered trademarks.

125. The ability to challenge the validity of a registered GI on the basis of Article 14(3), however, is not available to owners of all valid registered trademarks. To demonstrate this in graphic terms, the United States includes as Exhibit US-99 and US-100 two flowcharts. Exhibit US-99 is a flowchart for challenges to the validity of a GI registration brought directly to the Court of First Instance, pursuant to Article 230 of the EC Treaty. Exhibit US-100 is a flowchart for challenges to the validity of a GI registration brought to EC member State courts and then referred to the European Court of Justice ("ECJ"), pursuant to Article 234 of the EC Treaty.

126. These flowcharts demonstrate that many trademark owners will not be able to challenge the validity of a GI registration either in a case brought directly to the CFI, pursuant to Article 230 of the EC Treaty, or in a case brought to a member State court and referred to the ECJ, under

⁷⁶ Guide to Community Regulations, "Protection of Geographical Indications, Designations of Origin and Certificates of Specific Character for Agricultural Products and Foodstuffs" (Working Document of the Commission Services issued by the European Commission Directorate-General for Agriculture, August 2004), pg. 24. Exhibit EC-64.

Article 234.⁷⁷ The shaded boxes in the charts represent categories of trademark owners for which Article 14(3) would provide no opportunity to challenge the validity of a registered GI. These trademark owners would be denied the opportunity to challenge the validity of a GI for reasons that are not relevant grounds for denying an owner its rights under TRIPS Article 16.1. Exhibit US-101 provides a detailed explanation of the flow charts and of the inability of many trademark owners to challenge GI registrations under the EC Treaty.

127. The United States makes one brief comment on the EC's response to question 142(d). The EC has often stated that Article 14(3), supplemented by other provisions of the EC GI Regulation, provide grounds for cancellation of a GI registration on the basis that the GI is identical or confusingly similar to a prior trademark. Yet, in its response to question 142(d) (at paragraph 189), the EC states that the "grounds for cancellation mentioned in Articles 11 and 11a are *exhaustive*."⁷⁸ The grounds for cancellation included in Articles 11 and 11a do not address cancellation based on likelihood of confusion with a registered trademark.

Question 143

128. The United States simply notes that the EC offers absolutely no documentary support for its assertion⁷⁹ that the Council, in considering the relevance of Article 14(3) in the Bayerisches Bier, considered factors other than whether valid prior registered trademarks for BAVARIA enjoyed reputation, renown and use.

Question 145

129. The United States and the EC agree that the coverage of Article 24.5 is not necessarily limited to the specific articles mentioned in the Panel's question (*i.e.*, Articles 22.2, 22.3, 23.1, and 23.2).⁸⁰ The agreement between the United States and EC, however, appears to end there.

130. The EC continues to argue that Article 24.5 is not an exception to GI protection, this time with the qualifier that Article 24.5 is not a "genuine exception" like those in Articles 24.4, 24.6, 24.7, and 24.8.⁸¹ While the EC points to nothing in Article 24 of the TRIPS Agreement that supports a distinction between "genuine exceptions" and other, presumably "non-genuine" exceptions, the United States notes that the EC now apparently includes Article 24.4 as a "genuine exception", while at the same time leaving Article 24.9 off the list, in contrast to its second written submission, where Articles 24.6-24.9 (but not Article 24.4) were considered

⁷⁷ The United States notes that over the period 1999-2003, EC member State courts referred a total of 8 intellectual property cases to the ECJ, pursuant to Article 234. These statistics are available in the ECJ's annual reports, titled "Statistics of Judicial Activity of the Court of Justice," at <http://curia.eu.int/en/instit/presentationfr/index.htm>. In each annual report, the statistics are maintained in Table 11, in the column "References for a preliminary ruling".

⁷⁸ Emphasis added.

⁷⁹ EC Responses to Questions following the Second Panel Meeting, para. 191.

⁸⁰ EC Response to Panel Question 145, para. 197; U.S. Response to Panel Question 145, note 42.

⁸¹ EC Responses to Panel Question 145, para. 198.

exceptions by the EC.⁸² These unsupported and rapidly-changing characterizations of clearly-labeled exceptions to GI protection in Article 24 do nothing to contradict the understanding derived from an analysis of Article 24.5 based on the ordinary meaning of the terms, in their context, in light of the object and purpose of the TRIPS Agreement. Through such an analysis, the United States has demonstrated, in part, that (1) by its very terms, Article 24.5 limits the protection of GIs *vis-à-vis* trademarks, thereby constituting an exception to GI protection; and (2) Article 24.5 is a part of Article 24, which is labeled “international negotiations; exceptions”, and it is undisputed that Article 24.5 does not relate to “international negotiations.”⁸³

131. The EC states that Article 24.5 “imposes self-standing [positive] obligations with respect to the protection of trademarks” and therefore is not an “exception” to GI protection.⁸⁴ As the United States has explained, Article 24.5 does not accord self-standing rights to trademarks, since it simply limits the ability of GIs to prejudice trademarks.⁸⁵ The two examples presented by the EC in paragraph 199 of their response to the panel’s question confirm this interpretation, as they demonstrate instances in which Article 24.5 limits the scope of GI protection *vis-à-vis* trademarks; they do not demonstrate that Article 24.5 creates self-standing obligations with respect to trademarks.

132. The EC’s examples also do not provide any clarity and, if anything, argue against the proposition, put forward by the EC, that Article 24.5 “imposes self-standing [positive] obligations with respect to the protection of trademarks” and therefore is not an “exception” to GI protection.⁸⁶ The EC presents a hypothetical in which a “Member’s trademark law provides that a trademark including or consisting of a geographic indication shall not be registered or, if registered, shall be invalidated.”⁸⁷ They then state that while such a provision – if there were one

⁸² EC Second Written Submission, para. 314.

⁸³ See U.S. Opening Statement at Second Meeting, para. 94; U.S. Second Written Submission, paras. 171-173; US Response to Panel Question 78, paras. 107-113. The Appellate Body has interpreted provisions based in part on their place in the overall structure of the covered agreement at issue, giving careful consideration to the headings or titles of the sections in which the provisions appear. See Appellate Body Report, *Canada-Dairy*, para 134 (“A strong presumption arises that the language which is inscribed in a Member’s Schedule under the heading, ‘Other terms and Conditions’, has some *qualifying* or *limiting* effect on the substantive content or scope of the concession or commitment.”); See also Appellate Body Report, *Definitive Safeguard Measures on Imports of Circular Welded Carbon Quality Line Pipe from Korea*, paras. 80-82, fn. 171; Appellate Body Report, *U.S. – Definitive Safeguards on Measures of Imports of Certain Steel Products*, paras. 337-338; Appellate Body Report, *Argentina – Safeguard Measures on Footwear*, para. 93; Appellate Body Report, *Korea – Definitive Safeguard Measure on Imports of Certain Dairy Products*, para. 86.

⁸⁴ EC Responses to Panel Question 145, para. 200.

⁸⁵ U.S. Opening Statement at Second Meeting, para. 95.

⁸⁶ EC Responses to Panel Question 145, para. 200.

⁸⁷ The EC states that this is not a hypothetical example, citing to Section 61 of Australia’s Trademark Act 1995. Once again, the EC creates a false impression by telling only part of the story. It is true that Section 61(1) of Australia’s Trade Marks Act 1995 provides that the “registration of a trade mark in respect of particular goods (*relevant goods*) may be opposed on the ground that the trade mark contains or consists of a sign that is a

– would go beyond what is *required* by Article 22.3 and that the obligation not to invalidate such a trademark is only found in Article 24.5. But Article 24.5 protects certain trademarks that might otherwise be prejudiced in certain defined ways by “measures adopted to implement” Section 3 of Part II of the TRIPS Agreement. Quite simply, the provision in a Member’s trademark law postulated by the EC – to the extent it exists in an any WTO Member – would not appear to be a measure adopted to implement Article 22.3 of the TRIPS Agreement. Further, that article requires more than mere identity of the trademark and geographical indication – in particular it requires that the use of the indication in the trademark be “of such a nature as to mislead the public as to the true place of origin.” Whether the example put forward by the EC is otherwise consistent with Article 15.2 of the TRIPS Agreement or Articles *6quinquies*, 9, 10, and *10bis* is another question. The point is that the EC’s example is simply irrelevant to the interpretation of Article 24.5.

133. Similarly, the second example offered by the EC⁸⁸ is irrelevant to the interpretation of Article 24.5. The EC sets up an example that provides for a prohibition of the use of a trademark that is identical or similar to a subsequently recognized geographical indication in a manner that “goes beyond the obligation found in Article 22.2.” Again, it does not appear that the EC is hypothesizing a measure “adopted to implement” Section 3 of Part II of the TRIPS Agreement within the meaning of Article 24.5. Whether such a provision would be otherwise constrained by Article 15.2 or Articles *6quinquies*, 9, 10, or *10bis* of the Paris Convention is not an issue before this Panel, however. It is sufficient to observe that the examples put forward by the EC have no basis in fact and are irrelevant to the interpretation of Article 24.5.

134. Article 24.5, by its own terms, acts as a shield for covered trademarks against GIs, and contains no provisions for limiting trademark rights. There is no rule that a provision that recognizes one right, such as with respect to trademarks, cannot be an exception to a separate obligation, such as with respect to GIs. To the contrary. Article 24.8, for example, limits GI protection in light of a person’s right to use their own name, even though use of a person’s name is not a form of intellectual property protected elsewhere in the TRIPS Agreement; Article 24.8 would, in this sense, clearly offer “additional protection” to the name that is not provided elsewhere in the TRIPS Agreement. Such protection, like the protection for trademarks illustrated in the examples presented in paragraph 199 of the EC’s response, “does not result” from any provision of the TRIPS Agreement other than the “exception” provision. The EC has now stated twice that Article 24.8 is an exception (or “genuine” exception) to GI protection, although in view of the fact that it appears to recognize a positive right, the United States would not be surprised if the EC changed its mind on this point.

geographical indication for goods (*designated goods*) . . . “ What the EC fails to mention is that Section 61, as its title clearly indicates, applies to trademarks “containing or consisting of a **false geographical indication.**” Further, its specific terms limit its application to goods “ originating in: (a) a country, or in a region or locality in a country, other than the country in which the relevant goods originated; or (b) a region or locality in the country in which the relevant goods originated other than the region or locality in which the relevant goods originated.”

⁸⁸ EC Responses to Panel Question 145, para. 199.

135. The EC also repeats its contention that Article 24.5 “defines in a comprehensive manner the boundary” between GIs and trademarks.⁸⁹ The United States has already explained why this is incorrect.⁹⁰ While Article 24.5 does define *a* boundary between GIs and trademarks, it is not *the only* boundary. By limiting the scope of GI protection *vis-à-vis* certain (but not all) trademarks, Article 24.5 certainly constitutes one boundary. Article 17, the exception to the trademark section, defines another boundary, by limiting the scope of trademark protection. The EC’s understanding of the role of Article 24.5 as a “comprehensive” boundary is inconsistent with the context of an Agreement that includes separate exceptions for trademark protection and GI protection.⁹¹

Question 146

136. As a means of justifying the “co-existence” of prior registered trademarks with later, identical or confusingly similar registered GIs, the EC repeats its assertion that the simultaneous exercise of the two GI and trademark rights cited in the Panel’s question “would lead to a situation where neither the trademark owner nor the right holders of the geographical indications could use the sign which is the subject matter of their respective right.”⁹²

137. Yet, later in its response, the EC acknowledges that the “conflict” between the two individual rights “is resolved by Article 22.3 (and 23.2), which provides for the invalidation of the trademark, thereby effectively giving priority to the geographical indication.”⁹³ Thus, it appears that the EC concedes that there is no “conflict” between the rights at issue (much less any conflict between the obligations imposed on the EC by the relevant TRIPS provisions).

138. The United States is uncertain about the meaning of the final sentence of the EC’s response, which reads as follows:

This “rule of conflict”, however, does not apply to “grandfathered trademarks”, as defined in Article 24.5, which are subject to a different rule, as explained in the response to the preceding question.⁹⁴

The United States simply observes, as it has previously,⁹⁵ that Article 24.5 includes, for example, a requirement that trademarks subject to the Article 24.5 exception must be applied for,

⁸⁹ EC Responses to Panel Question 145, para. 201.

⁹⁰ See, e.g., U.S. Opening Statement at Second Meeting, para. 93.

⁹¹ See U.S. Responses to Panel Question 78, paras. 107-113.

⁹² EC Responses to Questions following the Second Panel Meeting, para. 204. See also EC Second Written Submission, para. 309.

⁹³ EC Responses to Questions following the Second Panel Meeting, para. 206. In its own response to question 146, the United States similarly stated that the “conflict” between the two rights would likely be resolved, under TRIPS Article 22.3, by denying registration of the misleading trademark (or, if registered, by making it subject to invalidity). U.S. Responses to Questions following the Second Panel Meeting, paras. 78-81.

⁹⁴ EC Responses to Questions following the Second Panel Meeting, para. 206.

⁹⁵ U.S. Responses to Questions following the Second Panel Meeting, para. 72 (note 41).

registered, or acquired through use “in good faith.” Further, the exception in Article 24.5 prohibits prejudicing certain trademarks “on the basis that such a trademark is identical with, or similar to, a geographical indication.”⁹⁶ Finally, Article 24.5 applies only to “measures adopted to implement this Section.”⁹⁷

Question 147

139. The EC argues that the addition of the phrase “the right to use a trademark” during the negotiating history of Article 24.5 reflects a “compromise” that “grandfathered” trademarks should not be accorded their Article 16.1 rights, but only the right to affirmative use of the mark on labels, advertising, etc. The United States has already explained in great detail, and will not repeat here, why the EC’s statement is incorrect and unsupported by an interpretation of the phrase “prejudice . . . the right to use a trademark” according to the customary rules of treaty interpretation.⁹⁸

140. By contrast, as the United States explained in its response to Question 147, the evolution of Article 24.5 is entirely consistent with the suggestion that the inclusion of language clarifying that Article 24.5 applied only with respect to “measures adopted to implement [the GI] Section”, was part of the compromise arrived at in agreeing that Article 24.5 would be a mandatory provision.

Questions 148 and 149

141. It would be contrary to all of the evidence in this dispute to accept the EC’s assertion that:

The assessment made by the EC authorities under Article 14(3) is analogous to the assessment carried out by the EC trademark authorities in order to establish whether the use of a later trademark will give rise to likelihood of confusion with an earlier trademark. When applying Article 14(3), the registering authorities, or the courts, as applicable, must take into account all relevant factors, including in particular the similarity of goods and signs. As explained, length of use, reputation and renown are mentioned expressly in Article 14(3) because geographical indications, when used as trademarks, are primarily descriptive and non-distinctive.⁹⁹

⁹⁶ Moreover, for purposes of this dispute, the United States’ arguments are directed at those TRIPS Article 16.1 rights associated with valid trademarks, and not with the effect of Regulation 2081/92 on trademarks that are misleading as to geographic origin. See U.S. First Written Submission, para. 135 (“The United States is not arguing that trademarks that ‘mislead the public as to the true place of origin’ of the underlying goods in a given territory must be registered and provided Article 16.1 rights in that territory.”).

⁹⁷ Any other measures must, of course, be otherwise consistent with the TRIPS Agreement and the Paris Convention.

⁹⁸ See, e.g., U.S. Responses to Panel Question 145, para. 76; U.S. Second Written Submission, paras. 176-181; U.S. Response to Panel Question 76, para. 102.

⁹⁹ EC Responses to Questions following the Second Panel Meeting, para. 215.

142. The EC cannot simply substitute TRIPS-consistent language that it wishes were included in Article 14(3). The United States has presented compelling evidence of what Article 14(3) means, and the EC has failed to rebut that evidence.

143. The EC’s reading of Article 14(3) ignores the text of the provision. The plain text of the provision requires denial of registration for a GI if it is “liable to mislead the consumer,” and not if it raises a “likelihood of confusion,” which is the term used in TRIPS Article 16.1. Equating the “liable to mislead” standard with the “likelihood of confusion” standard in Article 16.1, would not be consistent with this evidence, because it ignores the distinct use of those two standards elsewhere in EC law.¹⁰⁰

144. The EC’s reading also ignores the limited scope of Article 14(3), which is by its own terms relevant only when a trademark enjoys reputation, renown and use. The EC’s reading represents a complete departure from what it has termed “highly relevant”¹⁰¹ guidance offered by the Commission on the meaning of Article 14(3) outside the bounds of this dispute, as recently as August 2004. The Commission’s Guide to Regulation 2081/92 states, in unequivocal terms, that “only in one circumstance” – when the trademark enjoys reputation, renown and use – will the EC apply Article 14(3) to deny registration of a similar or identical GI.¹⁰² “In all other cases,” the EC applies its “general rule,” which is that the GI is registered, “notwithstanding the existence of the registered trademark.”¹⁰³

145. The EC’s reading of Article 14(3) is also irreconcilable with the way in which the prerequisites included in Article 14(3) – reputation, renown and use – have been interpreted by WIPO and the Paris Union, as well as by the ECJ and OHIM.¹⁰⁴ Each of these entities has attached particular significance to these terms, as prerequisites for the heightened protection extended to well-known or famous marks.

146. The EC’s reading is, in addition, contrary to the understanding of Article 14(3) expressed

¹⁰⁰ The EC Trademark Regulation and Trademark Directive differentiate between the two standards. Article 50.1(c) of the Trademark Regulation and Article 12.2(b) of the Trademark Directive provide for revocation of a trademark where it is “liable to mislead the public, particularly as to . . . geographical origin . . .” Regulation No 40/94, Article 50.1(c), Exhibit COMP-7; Directive 89/104/EEC, Article 12.2(b), Exhibit COMP-6. In contrast, Article 9.1(b) of the Trademark Regulation and Article 5.1(b) of the Trademark Directive grant trademark owners the exclusive right to prevent use of a similar or identical sign for similar or identical goods where “there exists a likelihood of confusion on the part of the public.” Regulation No 40/94, Article 9.1(b), Exhibit COMP-7; Directive 89/104/EEC, Article 5.1(b), Exhibit COMP-6.

¹⁰¹ EC Responses to Questions following the Second Panel Meeting, para. 8.

¹⁰² Guide to Community Regulations, “Protection of Geographical Indications, Designations of Origin and Certificates of Specific Character for Agricultural Products and Foodstuffs” (Working Document of the Commission Services issued by the European Commission Directorate-General for Agriculture, August 2004), pg. 24. Exhibit EC-64.

¹⁰³ *Id.*

¹⁰⁴ U.S. Second Written Submission, paras. 147, 150-152.

by EC member States, which consider that the provision speaks to “well-known mark[s].”¹⁰⁵

147. Finally, the EC’s reading is also contrary to the EC Trademark Regulation and Trademark Directive, which refer to “reputation” solely as a prerequisite for the heightened protection associated with well-known marks.¹⁰⁶

148. For all of these reasons, Article 14(3) does not even enable the EC authorities to deny registration of any GI that is identical or confusingly similar to any prior valid registered trademark – much less provide the right to trademark owners to enjoin confusing uses of such GIs, if registered. Article 14(3) is not an adequate substitute for TRIPS Article 16.1 rights.

149. Nor do Articles 7(4) and 7(5)(b) of the EC GI Regulation transform Article 14(3) into an adequate substitute for TRIPS Article 16.1. At paragraph 222 of its response, the EC repeats its assertion that Articles 7(4) and 7(5)(b) modify the meaning of Article 14(3), requiring the EC to deny registration of not just GIs that are “liable to mislead,” as Article 14(3) reads, but also GIs that raise a “likelihood of confusion” with respect to all trademarks (not just those of reputation, renown and use). Articles 7(4) and 7(5)(b) simply do not do this.

150. As the United States has previously noted,¹⁰⁷ even if Articles 7(4) and 7(5)(b) augment Article 14(3) and change the “liable to mislead” standard to a “likelihood of confusion” standard,¹⁰⁸ that standard would still apply only to trademarks that enjoy reputation, renown and use. To conclude otherwise would be to read the words “reputation and renown and length of time it has been used” out of Article 14(3). We have also noted that even if Article 7(5)(b) somehow turns the “liable to mislead” standard from Article 14(3) into a “likelihood of confusion” standard, Article 7(5)(b) only applies, by its own express terms, in situations in which the EC member States have been unable to reach agreement on whether to grant an objection made by, for example, a trademark owner. If the member States agree on whether to grant the trademark owner’s objection (pursuant to Article 7(5)(a)), it is unclear how Article 7(5)(b) could have any relevance to Article 14(3), let alone modify it to include a “likelihood of confusion” standard. In those situations, trademark owners affected by Article 14(3) would still face the “liable to mislead” standard (and, of course, would only benefit if their trademarks enjoyed reputation, renown and use); Article 14(3) would not substitute for TRIPS Article 16.1 for all of these trademark owners.

151. The United States also recalls that Article 7(4) is a provision that states under what circumstances an objection raised by a trademark owner should be admitted.¹⁰⁹ One ground is whether the GI would “prejudice the existence of . . . a mark.” The EC has argued that this must

¹⁰⁵ U.S. Second Written Submission, paras. 148-149. *See also* U.S. Responses to Questions following the Second Panel Meeting, para. 105 (note 90).

¹⁰⁶ U.S. Second Written Submission, para. 150.

¹⁰⁷ U.S. Second Written Submission, paras. 160-164.

¹⁰⁸ The United States does not understand precisely how Article 7(4) does this, since it does not even refer to “likelihood of confusion.”

¹⁰⁹ U.S. Second Written Submission, para. 161.

serve as grounds not only for admitting an objection, but also for granting the objection and denying registration of the GI with respect to all trademarks, because otherwise, there would be no point in admitting the objection in the first place. The United States does not find it at all unusual, however, to admit more objections than will ultimately be successful. The EC's view, in fact, implies that unless every objection that is admitted is successful, with the GI registration denied in every case in which an objection arises and is admitted, Article 7(4) will have no meaning. This is not necessary to give Article 7(4) meaning. The United States notes the express statement by the ECJ that "the fact that an objection is admissible under [Article 7(4)] does not prevent the registration applied for from being finally granted."¹¹⁰

152. It is also important to note that the EC's assertion that reputation, renown and use are "relevant in all cases" involving an evaluation against the "likelihood of confusion" standard is plain and simply untrue.¹¹¹ In lengthy string cites included as footnotes 74-77 of its response to question 148, the United States offered many decisions in which OHIM, the CFI and EC member State courts found a likelihood of confusion, without addressing whether the prior trademark at issue enjoyed reputation, renown and use. In some of those cases, OHIM, the CFI and the EC member State courts expressly held that the prior trademark for which a likelihood of confusion was found did not enjoy reputation, renown and/or use – a fact that would have precluded the EC from stopping the registration of a confusing GI under Article 14(3) of the GI Regulation. While reputation, renown and use might be relevant in some cases, *e.g.*, where the prior trademark and the allegedly infringing sign are somewhat less similar, OHIM and the courts routinely find a likelihood of confusion *without the trademark owner having established that the trademark enjoys reputation, renown or use*. In other words, establishing reputation, renown and use are not, as the EC asserts, merely part of the EC authorities' inquiry, under Article 14(3), into whether the GI rises a likelihood of confusion with respect to a prior, identical or similar mark.

153. Nor is it true, as the EC implies at paragraphs 210 -214, that reputation, renown, and use are always part of the "likelihood of confusion" analysis of other WTO Members. Of course, WTO Member practices are irrelevant to a review of the WTO-consistency of the measure at issue in this dispute. Even so, however, it is plain from the EC's own quotations from the laws of other WTO Members that reputation, renown, and use are among the factors that might come into play in a "likelihood of confusion" analysis by various WTO Members. But not even in the materials cited by the EC are their presence required to find a likelihood of confusion. This is in stark contrast to Article 14(3) of the GI Regulation.

¹¹⁰ Case C-289/96, *Kingdom of Denmark, Federal Republic of Germany and French Republic v Commission*, [1999] ECR I-1541, para. 93. Available at <http://europa.eu.int/jurisp/cgi-bin/form.pl?lang=en>. Moreover, in that case, the ECJ was reviewing claims that a GI was generic, under the factors in Article 3(1) of the EC GI Regulation, and therefore not registrable. Article 3(1), unlike Article 14(3), specifically directs the Commission to take into account "the relevant national or Community laws," which the ECJ found included Article 7(4) of the GI Regulation itself. *Id.*, paras. 95, 102. Article 14(3) does not include any such requirement, and it is not therefore clear why Article 7(4) should be considered at all to modify the meaning and application of Article 14(3).

¹¹¹ EC Responses to Questions following the Second Panel Meeting, para. 219.

154. As it argued previously in this dispute,¹¹² the EC again argues that trademarks containing or consisting of geographical elements lack distinctiveness and are as such not registrable.¹¹³ The EC states that those trademarks should be registered only if they have acquired distinctiveness through use.¹¹⁴ The EC reasons that since trademarks containing or consisting of geographical elements will be registered only if they have acquired distinctiveness through use, consumers are unlikely to confuse such a trademark with an identical or similar GI unless the trademark has been used.¹¹⁵ The EC’s implication appears to be that it is entirely appropriate, under Article 16.1, for Article 14(3) to limit denial of registration for a GI to situations in which an identical or similar prior trademark has been used.

155. The EC’s analysis is wrong. As the Panel will recall, the United States has offered several examples of registered Community Trademarks that contain or consist entirely of geographical place names.¹¹⁶ In fact, the Community Trademark registrations for each of these trademarks expressly state that there was no showing of acquired distinctiveness through use.

156. Moreover, the United States has in fact provided a decision in which a court found a likelihood of confusion in the very situation envisioned by the EC. In the *Fläminger* case, the German Federal Supreme Court upheld a decision to block registration of the term FLÄMINGER as part of a word/device mark, on the basis that it was confusingly similar to a prior trademark, FÄLINGER. The court so held, despite the fact that the word Fläminger referred to the Eastern German region of Fläming, and even though the prior trademark was a “fanciful” name, enjoyed no reputation and had not achieved acquired distinctiveness through use.¹¹⁷

157. Finally, paragraph 220 of the EC’s response illustrates with remarkable clarity why Article 14(3) is an inadequate substitute for TRIPS Article 16.1. In the EC’s hypothetical, the EC states that where a prior trademark AUSTRALIA for wine has not been used, the public would not be misled and, therefore, if applied for, the GI “Australia” would presumably be registered. Under Article 16.1, likelihood of confusion would be *presumed* in this case, given that the later sign is identical and is to be used on identical goods. Under Article 14(3), however, the GI would be registered nonetheless. If Article 14(3) is to serve as an adequate substitute for TRIPS Article 16.1, it must, at the very least, lead to denial of registration of the GI in this situation. The EC’s admission that the GI would be registered is a clear indication that Article

¹¹² See EC First Written Submission, paras. 275, 278-285; EC Responses to Questions following First Panel Meeting, para. 176.

¹¹³ EC Responses to Questions following the Second Panel Meeting, para. 219.

¹¹⁴ *Id.*

¹¹⁵ *Id.*

¹¹⁶ U.S. Responses to Questions following the First Panel Meeting, para. 79 (and Exhibit US-46); U.S. Second Written Submission, para. 169; U.S. Oral Statement at Second Panel Meeting, para. 74 (and Exhibits US-74 through US-76). The registrations in the cited exhibits include a field entitled “Acquired distinctiveness” (which is followed by “No” in each of the examples provided).

¹¹⁷ Judgment of the German Federal Supreme Court, *Fläminger*, 28 May 1998, GRUR 1998, pgs. 930-932. Exhibit US-92.

14(3) does not serve as an adequate substitute for Article 16(1).

Question 151

158. The EC states that if Article 24.3 is considered to be an exception to the exception provisions in Article 24, then “Members could not rely upon Article 24.5 as a ‘justification’ to diminish the [p]re-existing protection of geographical indications.”¹¹⁸ It is not clear, however, how Article 24.5 would lead to diminishing of the protection of individual GIs protected under the EC GI Regulation that existed prior to entry into force of WTO Agreement, since it only protects certain trademarks from prejudice arising from measures adopted to implement the GI section of the TRIPS Agreement. The United States notes that there were no GIs protected under the EC GI Regulation prior to January 1, 1995. Moreover, as the United States has explained, Article 24.3 does not establish limitations on what Members must do in implementing other sections of the TRIPS Agreement - such as in the trademark and copyright sections.¹¹⁹

Question 152

159. The EC’s failure to answer the Panel’s direct question is significant. The Panel’s question derives from the fact that TRIPS Article 24.3 prevents diminishment of protection for GIs that could be caused by “implementing this Section”, referring to Part II, Section 3 of the TRIPS Agreement.¹²⁰ It follows that any diminishing of GI protection that could arise by virtue of implementation of another section of the TRIPS Agreement, including the trademark section, is not prohibited by Article 24.3.

160. The EC’s response that “[o]n the complainants’ own interpretation of Article 24.5, the obligation to diminish protection would arise from the obligation imposed by Article 24.5 and not from Article 16.1”, is simply wrong, and an attempt to avoid answering a direct and important question from the Panel. If the maintenance of GI protection violates the exclusive rights of owners of prior valid trademarks to prevent all others from using signs that result in a likelihood of confusion, then this constitutes a breach of Article 16.1 of the TRIPS Agreement. (The EC in fact acknowledges that under the EC GI Regulation, “a trademark owner cannot prevent the holder of a registered geographical indication from using the name or names registered under Regulation 2081/92 on the grounds that the use of such name or names is confusing *per se* with an earlier trademark.”¹²¹)

161. Indeed, the United States emphasizes, once again, that it has not made an affirmative claim against the EC GI Regulation based on TRIPS Article 24.5. The U.S. claim is, and always has been, based on a violation of TRIPS Article 16.1. It is the EC that has raised TRIPS Article

¹¹⁸ EC Response to Panel Question 151, para. 228.

¹¹⁹ U.S. Second Written Submission, para. 190.

¹²⁰ See U.S. Opening Statement at Second Meeting, para. 96; U.S. Second Written Submission, paras. 188-190.

¹²¹ EC Response to Question 139, para. 166.

24.5 in its own defense.¹²² Thus, the United States does not understand how, at this point in the proceedings, the EC could be under the erroneous impression that “[o]n the complainants’ own interpretation of Article 24.5, the obligation to diminish protection would arise from the obligation imposed by Article 24.5 and not from Article 16.1.”

Question 153

162. The United States has explained on numerous occasions why the blanket exception to trademark rights in Article 14(2) of the GI Regulation is not a “limited exception” and does not take into account the interests of anyone other than producers of certain agricultural products in the EC who have rights to use a registered GI. Instead, for a given trademark, Article 14(2) allows for an unlimited number of users of registered GIs to create an unlimited degree of likelihood of confusion with respect to the trademark, and to do so for an unlimited period of time.¹²³ Under the EC’s interpretation of TRIPS Article 17, all uses of a registered GI are automatically entitled to the “fair use” exception, no matter what the facts of the particular case at hand (*i.e.*, whether the use is fair, the term is descriptive, or the legitimate interests of the particular trademark owner are considered), by simple virtue of registration alone.

163. While the national trademark laws cited by the EC all allow descriptive uses that might otherwise infringe a trademark, such uses are subject to the proviso that they be in accordance with honest practice in industrial or commercial matters or consistent with fair practice. A determination as to whether such a proviso is met under trademark law requires a case-by-case analysis to determine if a particular use is “fair” in accordance with national law and within the meaning of TRIPS Article 17. In contrast, the EC provides for a blanket, limitless exception to trademark rights through operation of Article 14(2) of the EC GI Regulation.

164. In its response to Question 153, the EC again attempts to justify its treatment of trademarks as permissible under TRIPS Article 17. First, the EC states that the exception created by the GI Regulation is “limited” because the trademark owner “retains the right to prevent the use of the name by *any* person in relation to *any* goods which originate in a different geographical area or which do not comply with the specifications.”¹²⁴ As the United States has explained, whether the trademark owner retains the right to prevent parties that are not rightholders in registered GIs from confusing uses of similar or identical signs does not change the fact that the trademark owner has already been subject to an unlimited exception, especially when considered the potential detrimental effect on the trademark rights.¹²⁵

165. The EC states that the potential uses of GIs permitted by the GI Regulation are “narrower than the potential universe of uses of other descriptive terms, such as indications of source”, and that this consideration is important because “Australia and the United States appear to concede

¹²² See U.S. Response to Question 75, para. 91.

¹²³ See, *e.g.*, U.S. Opening Statement at Second Panel Meeting, para. 100.

¹²⁴ EC Response to Question 153, para. 231.

¹²⁵ U.S. Opening Statement at Second Panel Meeting, para. 101.

that the use of those terms would qualify for an exception under Article 17.”¹²⁶ With this statement, the EC now reads the word “fair” out of the phrase “fair use of descriptive terms”. The United States has never stated or “conceded” that *any* use of descriptive terms would qualify for an exception under Article 17. Pursuant to the terms of Article 17, only *fair* use of descriptive terms is permitted.

166. Now, considering that the EC also reads “descriptive terms” in a way that fails to give meaning to “descriptive”¹²⁷, it is apparent that the EC is reading Article 17 to allow the “use of terms”, regardless of the type of use or the type of term, and regardless of the effect on trademark owners, despite the fact that Article 17 speaks to “*fair* use of *descriptive* terms”, requires that the exceptions be “limited”, and further requires that the trademark owner’s legitimate interests be taken into account.

167. Next, the EC disputes that Article 17 requires that an exception to trademark rights “minimizes” the “likelihood of confusion.”¹²⁸ The EC argues that a requirement to minimize the likelihood of confusion would lead to a situation where the interests of third parties would not be taken into account, or otherwise balanced with the interests of the trademark owner. This is incorrect. By permitting a limited exception in the first place, the legitimate interests of third parties are already being taken into account. In other words, if there were no legitimate third party interests militating in favor of allowing an exception to trademark rights, then no such exception would be permitted. After all, it is certainly not in the legitimate interests of the trademark owner to agree to an exception to his right. Once it has been determined that an exception is appropriate because it takes into account certain third party interests, then the remainder of Article 17 demonstrates that the exception must be limited, including through the specific reference to “*limited* exceptions”, the requirement to take account of the legitimate interests of the trademark owner, and the example requiring “*fair* use of *descriptive* terms.” Given that the core trademark right is provided in Article 16.1, a “limited” exception refers to an exception that results in a limited degree of likelihood of confusion with respect to the trademark. As detailed previously, “limited exception” refers to “a narrow exception – one which makes only a small diminution of the rights”, where “limited” is “measured by the extent to which the exclusive rights” of a trademark have been curtailed.¹²⁹

168. The EC also tries to minimize the effect of Article 14(2) of the GI Regulation on trademarks by stating that, even under the reading of the United States, Article 14(3) prevents registration for certain GIs that are misleading with respect to a certain category of trademarks (*i.e.*, those that enjoy reputation, renown and use).¹³⁰ The United States has explained, however,

¹²⁶ EC Response to Question 153, para. 230.

¹²⁷ U.S. Opening Statement at Second Meeting, para. 103.

¹²⁸ EC Response to Question 153, para. 232.

¹²⁹ U.S. Response to Panel Question 154, para. 119; U.S. Opening Statement at Second Meeting, para. 100, quoting Panel Report, *Canada – Patent Protection*, paras. 7.30-7.31.

¹³⁰ EC Response to Question 153, para. 234.

that this does not qualify as a “limited” exception within the meaning of Article 17. Article 17 permits “limited exceptions to the rights conferred by a trademark”, not unlimited exceptions to the rights of a limited *number* of trademarks, as the EC’s interpretation suggests.¹³¹

169. The EC again raises its labeling and misleading advertising laws, as well as member State unfair competition laws, as evidence that the exception to Article 16.1 rights is “limited”.¹³² As a threshold matter, national laws in the EC governing labeling, misleading advertising, and unfair competition, cannot prevent the use of a geographical indication registered under the GI Regulation. Under the principle of the superiority of EC law, a national court would not have the authority to stop the use of a right granted by Regulation 2081/92 based on national law.

170. Further, even if applicable, the United States has explained that such laws do not even pretend to consider the interests of trademark owners in the manner required by TRIPS Article 17.¹³³ These laws have nothing to do with the right of trademark owners to defend their mark from infringement within the meaning of TRIPS Article 16.1. The fact that certain acts that constitute trademark infringement may also, coincidentally, be subject to prohibition under other EC or member State legislation is simply not relevant to a determination whether the infringement of a given trademark by a given use constitutes a limited exception to the rights of a given trademark owner.

171. In fact, if the EC’s argument were to be accepted, then a Member could simply ignore the obligations of the trademark section of the TRIPS Agreement in their entirety, and instead argue that implementation of Article 10*bis* of the Paris Convention, alone, satisfies the obligations of TRIPS Article 16.1, when read in conjunction with TRIPS Article 17. Article 10*bis* requires countries of the Paris Union to provide, for example, “effective protection against unfair competition”, defined as “[a]ny act of competition contrary to honest practices in industrial or commercial matters.” While it is true that a number of the exceptions to trademark laws cited by the EC, including the EC’s own Trademark Directive and Regulation, similarly require that such exceptions accord with “honest practices in industrial or commercial matters”, they all do so in the context of trademark law. By contrast, EC misleading advertising and labeling laws, and Member state unfair competition laws, are entirely disconnected from the protection of individual trademark rights. Recourse to such laws is available to anyone, regardless of whether they are owners of registered trademarks. Again, while the substantive standards of the EC misleading advertising and member State unfair competition laws may, perhaps, be consistent with the requirements of Article 10*bis* of the Paris Convention, they do not satisfy the specific obligations of the trademark section of the TRIPS Agreement. Thus, the EC’s arguments, more than just ignoring “fair” in the phrase “fair use”, or “limited” in the phrase “limited exceptions”, now seem to replace the entire trademark section of the TRIPS Agreement with Article 10*bis* of the Paris

¹³¹ U.S. Opening Statement at Second Meeting, para. 102; U.S. Second Written Submission, paras. 208-209.

¹³² EC Response to Question 153, paras. 235-239.

¹³³ U.S. Second Written Submission, para. 210.

Convention to justify any and all harm to trademark rights imposed by the GI Regulation. This is not permitted, for it does not “give effect to the provisions of [the TRIPS] Agreement”, as required by TRIPS Article 1.1, and treats an entire section of the TRIPS Agreement as being redundant with the Paris Convention.¹³⁴

172. Moreover, the generalized unfair competition laws and misleading advertising laws cited by the EC are not somehow “equivalent to” the requirements generally stipulated in the exceptions provided in the trademark law of many Members, because the EC measures, unlike the exceptions to trademark law, are entirely disconnected from the confines of trademark law, itself.¹³⁵ For example, in a typical trademark infringement case, the trademark owner has the burden to demonstrate that a certain use causes a likelihood of confusion (or, alternatively, that the presumption for identical signs for identical goods is appropriate). Once the trademark owner presents a *prima facie* case of infringement, the burden shifts to the accused infringer to demonstrate that such use is justified by a limited exception, such as fair use. By contrast, when a registered trademark owner brings a trademark infringement case against the likely confusing use of a registered GI in the EC, the user of the registered GI can stop the proceedings before the court even begins to consider likelihood of confusion by simply showing, at the outset of the proceedings, that the GI is registered and used pursuant to the GI Regulation. In such a situation, it would be useless for the trademark owner to demonstrate trademark infringement, because, as the EC has confirmed, pursuant to the GI Regulation, “a trademark owner cannot prevent the holder of a registered geographical indication from using the name or names registered under Regulation 2081/92 on the grounds that the use of such name or names is confusing *per se* with an earlier trademark.”¹³⁶ Thus, during the course of trademark infringement proceedings, the GI user never has the burden to show, for example, that use of the GI constitutes “fair use” or qualifies as a limited exception. Once the GI user shows that the GI is registered, the trademark owner automatically loses, even if it can demonstrate infringement.

173. In fact, rather than placing the burden on the GI rightholder to prove its entitlement to a limited exception under Article 17, the EC would place the burden on the trademark owner to demonstrate that a particular use of the registered GI is *not* limited, or does not take account of the legitimate interests of the trademark owner, in the sense that the use violates member State unfair competition laws, or EC labeling and misleading advertising laws. As described above, this is at odds with the course of trademark infringement proceedings in a system where the exceptions to trademark law are connected to the trademark law, itself, and it is also at odds with

¹³⁴ See Panel Report, *India – Patents*, WT/DS50/R, para. 7.53 (“The TRIPS Agreement is different from other covered agreements in that most of its provisions require Members to take positive action . . . In situations where it is necessary for a Member to give effect to such positive action, a failure to provide the executive with the required authority constitutes a breach of the Agreement . . .”). See also Appellate Body Report, *Canada-Dairy*, para. 133 (“[T]he task of the treaty interpreter is to ascertain and give effect to a legally operative meaning for the terms of the treaty. The applicable fundamental principle of *effet utile* is that a treaty interpreter is not free to adopt a meaning that would reduce parts of a treaty to redundancy or inutility.”)

¹³⁵ EC Response to Question 153, paras. 240-241.

¹³⁶ EC Response to Question 139, para. 166.

the TRIPS Agreement.

174. Under the EC’s reasoning, after the trademark infringement case is dismissed based simply on the fact that the allegedly infringing use is that of a registered GI, the trademark owner would then have to bring a separate claim or case against use of the GI for misleading advertising or unfair competition. But the ability to bring such a case does not satisfy the requirements of TRIPS Articles 16 and 17, as it does not accord any rights specifically to the trademark owner. To this effect, the obligation in TRIPS Article 42 for Members to “make available to right holders civil judicial procedures *concerning the enforcement of any intellectual property right covered by this Agreement*” provides relevant context.¹³⁷ Recourse to misleading advertising law, or unfair competition law, simply does not “concern[] the enforcement of . . .”, trademark rights. It concerns something entirely different, namely the enforcement of Article 10*bis* of the Paris Convention. Moreover, TRIPS Article 44.1 relates to injunctions for “infringement of an intellectual property right”, while TRIPS Article 45.1 speaks to “the authority to order the *infringer* to pay the *right holder* damages adequate to compensate for the injury the right holder has suffered because of an infringement of that person’s intellectual property rights.”¹³⁸ By contrast, a claim pursuant to EC misleading advertising laws or Member state unfair competition laws does not relate to “infringers” or “right holders”.

Questions 154 and 156

175. The EC begins with the surprising assertion that “[a] trademark which has never been used or which is virtually unknown . . . could be easily replaced without significant prejudice to the owner.”¹³⁹ The EC’s belief that a trademark owner would not suffer “significant prejudice” if the owner of a “virtually unknown” trademark were forced to replace his trademark reflects the EC’s complete disregard for certain classes of trademarks and a fundamental misunderstanding of the commercial realities confronting trademark registrants and users. A company will make significant investments in the creation of a trademark and in the development of the product and its advertising prior to product launch – that is prior to it being known in the market. Such investments can be considerable – in particular for small and medium sized enterprises that develop a local market in one EC Member State and seek protection for the trademark and develop the markets (and knowledge of the trademark among consumers) subsequently in other EC Member States. For the EC to say that a trademark under such circumstances “could be easily replaced” exhibits an utter lack of understanding of how products and services are developed and brought to market in Europe, and the role that trademarks play in that complex and costly endeavor. While the EC’s understanding may be consistent with the treatment that the GI Regulation accords registered trademarks, it is not consistent with the treatment accorded trademarks under the TRIPS Agreement.

176. As the United States has explained previously, TRIPS Article 17 states that Members

¹³⁷ Emphasis added; footnote omitted.

¹³⁸ Emphasis added.

¹³⁹ EC Response to Question 154, para. 245.

may provide “limited exceptions to the rights conferred by a trademark.” It does not allow unlimited exceptions to a certain class of trademarks, even for trademarks that the EC considers “virtually unknown”. What the EC might consider “unknown” trademarks are accorded the same protection under Article 16.1 as trademarks that the EC would consider “known”; similarly, they are granted the same treatment under Article 17 as trademarks that are known.

177. The EC’s limited view of trademark rights is emphasized by its implication, at paragraphs 246-247, that a trademark owner does not have a legitimate interest that is reflected in Articles 15.1 and 16.1 of the TRIPS Agreement – a legitimate interest in preventing competitors from inducing consumers to buy competing products based not on the quality of the competing product, but instead on the mistaken belief that they are buying the product associated with the trademark. While it may be true that “legitimate interest” does not coincide exactly with “legal interest” – as the panel in *Canada – Pharmaceutical Patents* noted, third parties may have a legitimate interest without having a legal interest under the TRIPS Agreement¹⁴⁰ – the trademark owner’s legitimate interest in preventing others from using identical or similar signs in a manner that results in a likelihood of confusion is undeniable.

178. Consistent with the U.S. response to Panel Question 154, however, the EC correctly identifies two categories of third parties with relevant legitimate interests – namely, producers who aim to provide information to consumers about the geographical origin of the product, and consumers who benefit from such information.¹⁴¹ The EC suggests, in paragraph 251 of its response to Panel Question 154, several factors that may be considered in determining whether a degree of likelihood of confusion may be appropriate, such as instances “where the geographical indication enjoys more recognition than the trademark.”¹⁴² Yet, the unlimited exception to trademark rights created by the GI Regulation does not allow for any such considerations of individual geographical indications or trademarks. Instead, it provides a blanket exception to trademark rights, and allows for an unlimited degree of confusion, over an unlimited period of time, with respect to an unlimited number of GI users, based on the simple fact that the use is of a registered GI. Consideration of whether a “geographical indication enjoys more recognition than the trademark”, just as any other individualized consideration, plays no part in this blanket exception.

179. In reviewing the terms of Article 17, the EC states that “all that is required by Article 17 is that Members ‘take account of’ the different interests at issue”, including those of the trademark owner and third parties.¹⁴³ Of course, this is not “all that is required by Article 17.” Before reaching the analysis of whether the “legitimate interests” are taken into account, it must first be determined, pursuant to Article 17, that the exception is “limited.” This is a distinct requirement. As detailed previously, “limited exception” refers to “a narrow exception – one

¹⁴⁰ Panel Report, *Canada – Pharmaceutical Patents*, para. 7.68.

¹⁴¹ U.S. Response to Question 154, para. 119.

¹⁴² EC Response to Question 154.

¹⁴³ EC Response to Question 154, para. 252.

which makes only a small diminution of the rights”, where “limited”, is “measured by the extent to which the exclusive rights” of a trademark have been curtailed.¹⁴⁴ Thus, the EC errs when it states that “Article 17 puts on an equal level all the interests involved.”¹⁴⁵

180. The EC presents, in paragraph 253 of its response to Panel Question 154, a list of reasons why it apparently believes that GIs are superior to trademarks -- reasons that have absolutely no basis in the TRIPS Agreement but that may explain some of the motivations behind the EC’s breaches of TRIPS Article 16. For example, the EC implies that GIs are superior to trademarks because they “serve a public interest”, as opposed to trademarks, which they allege have only “a commercial function.”¹⁴⁶ Yet, the TRIPS Agreement, itself, demonstrates that trademarks do, in fact, serve a public interest by providing consumers with valuable information and allowing them to “distinguish[] the goods or services of one undertaking from those of other undertakings”, without a likelihood of confusion.¹⁴⁷ Indeed, as the United States pointed out in its first written submission,¹⁴⁸ EC jurisprudence recognizes the important public interest role that exclusive protection for trademarks plays. In this respect, Advocate General Jacobs of the European Court of Justice stated in the *Hag-II* case, that:

A trademark can only fulfil that role if it is exclusive. Once the proprietor is forced to share the mark with the competitor, he loses control over the goodwill associated with the mark. The reputation of his own goods will be harmed if the competitor sells inferior goods. From the consumer’s point of view, equally undesirable consequences will ensue, because the clarity of the signal transmitted by the trademark will be impaired. The consumer will be confused and misled.¹⁴⁹

181. The United States has already set forth, in its own detailed response to Panel question 156, the underlying reasons for the differences in the language of the various exceptions to intellectual property protection in the TRIPS Agreement.

182. With respect to the EC’s contention that “it is beyond dispute that the requirements of Article 17 are substantially less stringent than those of [TRIPS Articles 13, 26.2 and 30]”,¹⁵⁰ the United States would like to reiterate that such a conclusion stems from an incorrect reading of Article 17. In particular, contrary to the EC’s interpretation, the United States has explained that Article 17 makes no reference to “normal exploitation” of a trademark because a trademark right

¹⁴⁴ U.S. Response to Panel Question 154, para. 119; U.S. Opening Statement at Second Meeting, para. 100, quoting Panel Report, *Canada – Patent Protection*, paras. 7.30-7.31.

¹⁴⁵ EC Response to Question 154, para. 252.

¹⁴⁶ EC Response to Question 154, para. 253.

¹⁴⁷ TRIPS Articles 15.1 and 16.1.

¹⁴⁸ U.S. First Written Submission, para. 146.

¹⁴⁹ Case C-10/89 *SA CNL-Sucal NV v. HAG GFAG*, opinion delivered on 13 March 1990, European Court reports 1990 I-3711, at para 19.

¹⁵⁰ EC Response to Question 156, para. 257.

(*i.e.*, the exclusive right to prevent uses of signs that cause a likelihood of confusion with respect to a trademark) is simply not subject to exploitation in the same sense as the “exploitation” of a copyrighted work, protected industrial design, or patented invention.¹⁵¹ Unlike in other intellectual property areas, therefore, Article 17 does not permit exceptions that would conflict with any exploitation of the trademark – normal or not – and does not permit reasonable conflicts with a “normal exploitation”, because any conflict with the trademark rights goes to the heart of the trademark owner’s legitimate interest. Therefore, there is no need for Article 17 to provide for exceptions that conflict with an “exploitation” of the trademark.

183. Likewise, Article 17 does not include the language regarding “unreasonabl[e] prejudice [to] the legitimate interests of the” intellectual property right holder referred to in other exceptions because of the fundamental differences in the intellectual property rights concerned. By contrast to patents and copyrights, where one can point to examples in which certain limited exceptions do not unreasonably prejudice the legitimate interests of the right holder, the very ability of a trademark owner to distinguish goods using his trademark is significantly compromised if that trademark owner cannot stop confusing uses of his signs.¹⁵² As a result, the standard of “unreasonably prejudice” the rights of the owner is not included, because any uses of signs likely to cause confusion with a mark will prejudice the owner’s interests. Thus, the absence of such language certainly does not demonstrate that Article 17 is “substantially less stringent” than that of other exceptions to TRIPS obligations.

Questions 159- 160

184. Contrary to the EC’s argument, the United States is not arguing that the GI Regulation excludes the application of other measures to designations of origin and geographical indications. The United States detailed its arguments at paragraphs 171-183 of its first written submission. For instance, Article 2(1) of the EC GI Regulation provides that the GI Regulation is the means of achieving “Community protection” of GIs, but fails to provide legal means under that Regulation to all interested parties. Further, and perhaps more significant, by not permitting all interested persons to object to a GI registration, the GI Regulation fails to provide the legal means to those persons to prevent misleading uses vis-a-vis the registered GI. The EC has suggested that other laws are available to protect GIs in the EC, but has not shown that these other laws overcome the deficiencies on the face of the GI Regulation, particularly keeping in mind that EC regulations take precedence over EC member State laws.

Question 164

185. The United States agrees with the EC that TRIPS Article 7 seems to be of limited relevance to this dispute, as it relates to the role of TRIPS rules in promoting technological innovation and technology transfer.¹⁵³

¹⁵¹ U.S. Response to Panel Question 156, para. 129.

¹⁵² U.S. Response to Panel Question 156, para. 130.

¹⁵³ EC Responses to Questions following the Second Panel Meeting, para. 273.

186. The EC asserts that the EC GI Regulation is a measure that promotes the public interest in a sector of vital importance to the EC's socio-economic and technological development, within the meaning of TRIPS Article 8.1. The EC has not demonstrated, however, that requiring prior valid registered trademarks to "coexist" with later registered GIs – by depriving trademark owners of their Article 16.1 rights – is "necessary" to promote this public interest, as required by Article 8.1. In any event, the EC can maintain this "coexistence" only to the extent that it is "consistent with the provisions of" the TRIPS Agreement, within the meaning of Article 8.1. As the United States has shown, however, this is an impossible task for the EC, since "coexistence" is fundamentally inconsistent with TRIPS Article 16.1.