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

(WT/DS174 and WT/DS290)

First Submission of the United States

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I. INTRODUCTION

1. The EC’s Geographical Indications (“GI”) Regulation\textsuperscript{1} sets up a regime for the protection of geographical indications in order to realize and maximize what it considers to be substantial benefits for those producing and selling qualified agricultural products and foodstuffs in the EC. Unfortunately, the Regulation suffers from significant defects. First, while making these benefits easily available to EC nationals and products, it erects very significant – indeed, nearly insurmountable – barriers against many non-EC nationals and products.

2. Second, and importantly for all owners of registered trademarks – both U.S. and European – the GI Regulation grants this protection at the expense of trademark rights that the EC is specifically obliged to guarantee under the TRIPS Agreement\textsuperscript{2}.

3. The EC must, under the TRIPS Agreement, offer certain protections for geographical indications. It is not, however, permitted to do so in a manner that discriminates against non-EC nationals and products, nor is it permitted to do so at the expense of its TRIPS Agreement obligations with respect to trademarks.

4. This submission details how the EC’s GI Regulation is inconsistent with the TRIPS Agreement and the GATT 1994\textsuperscript{3} because of its discrimination against non-EC nationals and products. It is inconsistent with the national treatment obligations of the TRIPS Agreement and the Paris Convention,\textsuperscript{4} both of which require national treatment as to “nationals” of other WTO Members. It is also inconsistent with the national treatment obligations of the GATT 1994 with respect to products from other WTO Members. Further, the GI Regulation is inconsistent with the obligation to provide most favored nation (“MFN”) treatment with respect to nationals of other WTO Members, under the TRIPS Agreement, and with respect to products of other WTO Members, under the GATT 1994.

5. Next, and directly contrary to the express obligations of the TRIPS Agreement with respect to trademarks, the EC’s GI Regulation denies the owner of a registered trademark his exclusive right to prevent all third parties from using similar or identical signs for goods or services that are identical or similar to those covered by the trademark registration – including

\textsuperscript{1} I.e., the measure at issue in this dispute: Council Regulation (EEC) No. 2081/92 of July 14, 1992 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs, as amended, and its related implementing and enforcement measures. In this submission, references to the “GI Regulation” or the “EC GI Regulation” are references to this measure, which includes both Regulation 2081 and its related implementing and enforcement measures. References to particular articles of the GI Regulation are references to Regulation 2081/92 itself, as most recently amended, provided as Exhibit COMP-1.b.

\textsuperscript{2} Agreement on Trade-Related Aspects of Intellectual Property Rights.

\textsuperscript{3} General Agreement on Tariffs and Trade (1994).

geographical indications – where such use would result in a likelihood of confusion. For example, the owner of a registered trademark must, under the TRIPS Agreement, be able to take action against another producer selling an identical product, labeled with an identical name (protected as a geographical indication after the trademark registration), on the same shelf as the trademarked product. That owner cannot take such action under the EC GI Regulation.

6. Finally, as detailed further below, the EC GI Regulation fails to provide interested parties with the legal means to protect their geographical indications, as required by the TRIPS Agreement.

7. Consequently, the EC GI Regulation is also inconsistent with obligations under the TRIPS Agreement to enforce intellectual property rights.

II. PROCEDURAL HISTORY

8. On June 1, 1999, the United States requested consultations with the EC, pursuant to Article 4 of the DSU and Article 64 of the TRIPS Agreement regarding the GI Regulation. Consultations were held on July 9, 1999, and thereafter, but failed to resolve the dispute.

9. On April 4, 2003, the United States supplemented its request for consultations with a request for additional consultations with the EC pursuant to Article 4 of the DSU, Article 64 of the TRIPS Agreement, and Article XXII of the GATT 1994. The Government of Australia also requested consultations with the EC, and joint consultations were held on May 27, 2003, which also failed to resolve the dispute. Consequently, on August 18, 2003, the United States requested the establishment of a panel, with standard terms of reference. Australia also filed a request for the establishment of a panel, with standard terms of reference, on the same day. At the meeting of the WTO Dispute Settlement Body (“DSB”) on October 2, 2003, the DSB established a single panel pursuant to Article 9.1 of the DSU, with standard terms of reference, to examine the U.S. and Australian complaints.

10. The panel was composed on February 23, 2004.

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5 Understanding on Rules and Procedures Governing the Settlement of Disputes.
6 WT/DS174/1 (June 1, 1999).
7 WT/DS174/1/Add.1 (April 4, 2003).
9 WT/DS290/18 (August 19, 2003).
11 WT/DS174/21; WT/DS290/19 (February 24, 2004).
11. On March 3, 2004, the EC requested that the Panel issue separate panel reports with respect to the complaints filed by Australia and the United States, pursuant to Article 9.2 of the DSU. On April 23, 2004, the Panel confirmed that it would submit separate reports on this dispute.

III. FACTS

12. The EC GI Regulation lays down the rules for the protection of geographical indications of agricultural products and foodstuffs intended for human consumption throughout the member States of the EC. It provides, in Article 2(1), that Community protection for geographical indications of agricultural products and foodstuffs shall be obtained in accordance with the Regulation, and establishes a comprehensive system for the registration and protection of GIs, as well as for objecting to the registration of GIs.

13. According to its preamble, the GI Regulation is a response to a consumer market that is increasingly willing to pay premium prices for agricultural products and foodstuffs with an identifiable geographic origin. For those producers able to register such designations of origin at the member State level, according to the preamble, this enables producers of qualifying products to secure higher incomes. The EC GI Regulation recognizes this benefit for qualifying products and producers and extends this benefit in a uniform manner throughout the EC.

14. Under the GI Regulation, a geographical indication is defined as the name of a region, a specific place or, in exceptional cases, a country, used to describe an agricultural product or a foodstuff:

   (a) originating in that region, specific place or country, and

   (b) which possesses a specific quality, reputation, or other characteristics attributable to that geographic origin and the production and/or processing and/or preparation of which take place in the defined geographical area.

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12 Article 1(1) of the GI Regulation. Exhibit COMP 1.b. To avoid confusion, this submission will refer to countries that are part of the European Communities as “member States”, as distinguished from WTO Members.

13 Article 2(2)(b) of the GI Regulation. The GI Regulation also applies to a narrower category of geographical source indications, i.e., “designations of origin”, defined in Article 2(2)(b). The distinction between the broader category of “geographical indications” and the narrower category of “designations of origin” is not relevant for purposes of this submission, since the GI Regulation applies equally to both. Therefore, the United States will refer in this submission to both categories collectively as “geographical indications” or “GIs”. Further, there are obvious differences between “geographical indications” as defined in the EC GI Regulation and “geographical indications” as defined in the TRIPS Agreement. The use of the same term to describe both in this submission is not meant to imply that the definition in the EC GI Regulation is consistent with the definition in the TRIPS Agreement.
15. In order to use a protected geographic indication, a product must comply with the relevant specification, as provided for in Article 4(2) of the GI Regulation.\textsuperscript{14}

Registration

16. Under Article 5 of the GI Regulation, a person or a group of producers and processors may apply for a geographical indication – \textit{i.e.}, a qualifying “name” – with respect to the products which they “produce or obtain” by sending the application to “the Member State in which the geographical area is located.”

17. Thus, under Article 5, only persons or groups producing or obtaining products in the EC may file an application for a GI registration, and only products “produced or obtained” in the EC may be the subject of the registration.

18. The application must be accompanied by a “product specification” that includes information, not just on the product itself, but on how it is produced, as well as the details of the government inspection structures in place to ensure compliance with the specifications.\textsuperscript{15} To summarize the details provided in Article 4 of the GI Regulation, the product specification must include, at a minimum:

(a) name of the product, including the GI

(b) description of the product and its physical, chemical, microbiological and/or organoleptic characteristics

(c) definition of the geographical area

(d) evidence that the product originates in the geographical area

(e) description of the method of obtaining the product and information concerning packaging, if the group making the request determines and justifies that the packaging must take place in the geographic area

(f) details bearing out the link with the geographical environment or origin

(g) details of inspection structures required by Article 10 of the GI Regulation (Article 10 contains detailed rules concerning inspection structures that the government must maintain in order to register a GI, and requires that any private inspection body approved by a member State must comply with EC standard EN

\textsuperscript{14} Article 4(1) of the GI Regulation.

\textsuperscript{15} Article 4(2) of the GI Regulation.
45011. This standard does not appear to be available from public sources, and the United States is unaware of any “equivalent” standard approved for non-EC countries, referenced in Article 10(3)).

(h) specific labeling details

(i) requirements laid down by EC or member State provisions.

19. Under Article 5(5) of the GI Regulation, the EC member State is required to forward the application to the EC Commission, if the application satisfies the requirements of the GI Regulation.

20. After verification that the application for registration meets the formal requirements of the GI Regulation, and assuming the application withstands objections, if any, the geographical indication is entered in the “Register of protected designations of origin and protected geographical indications” maintained by the Commission and published in the Official Journal of the European Communities.

21. Article 12(1) states that the GI Regulation “may apply” to agricultural products or foodstuffs from other WTO Members – i.e., producers and processors in another WTO Member may apply to register the GI associated with products in that Member – only if that WTO Member:

(a) can give guarantees identical or equivalent to those referred to in Article 4 (i.e., with respect to the product specifications and inspection procedures required by the EC);

(b) has inspection arrangements and a right to objection equivalent to those laid down in the EC GI Regulation for EC GIs; and

(c) is prepared to provide protection equivalent to that available in the EC to agricultural products and foodstuffs from the EC (i.e., offers reciprocal treatment to EC products).

22. In other words, in order to benefit from the GI Regulation, a WTO Member must adopt a system for GI protection that is equivalent to that in the EC, that is, a system (i) under which the WTO Member can provide guarantees equivalent to those in the GI Regulation that its GI

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16 The United States tried unsuccessfully to obtain this standard from public sources, although it appears that it may be available for purchase from national members of the European Committee for Standardization. See, e.g., http://www.cenorm.be/cenorm/standards_drafts/index.asp

17 Article 6(4) of the GI Regulation.
products meet the EC product specifications in Articles 4 and 10 of the GI Regulation, (ii) providing objection rights equivalent to those in the GI Regulation, (iii) providing for internal inspection structures equivalent to those in the EC, and (iv) providing GI protection to EC products that is equivalent to that available in the EC. Further, these conditions require “reciprocity”: the EC will register and protect GIs associated with products from another WTO Member only if that WTO Member provides “equivalent” GI protection in its own territory to “corresponding” products from the EC.

23. Under Article 12(3), upon request of the WTO Member concerned, the EC examines whether a WTO Member satisfies the above conditions “as a result of its national legislation.” Only if it does so is registration and protection available in the EC under the GI Regulation for products from that WTO Member.

24. Article 12a sets out application procedures for producers and processors from other WTO Members satisfying these conditions of equivalency and reciprocity. It requires those producers and processors to submit an application to the “authorities” in the relevant WTO Member, and requires the WTO Member, before submitting the application, to “consult” with any EC Member State that has a geographical area or a traditional name connected to that area with the same name as is in the application.\(^{18}\) It also requires the WTO Member to determine whether the application satisfies the requirements of the GI Regulation. It then requires the WTO Member to describe the basis for protection of the GI in that WTO Member, and declare that it has in place the same inspection structures required of EC member States. Next, the WTO Member is instructed to forward the application and accompanying documentation to the Commission.

25. Article 12(2) requires that any use of a geographical indication in connection with products of other WTO Members can be authorized only if the country of origin “is clearly and visibly indicated on the label.”\(^{19}\) There is no similar requirement with respect to products of EC member States.

Objections

26. “Legitimately concerned” natural or legal persons that reside or are established in a member State of the EC may object to a proposed registration under Article 7(3) of the GI Regulation. Only persons who can demonstrate a “legitimate economic interest”, however, are authorized to consult the application.\(^{20}\) Statements of objection are admissible if they demonstrate that a proposed registration (a) does not qualify for protection pursuant to the

\(^{18}\) It is not clear how third country officials become aware that such a situation exists.

\(^{19}\) It is unclear under the Regulation whether this applies to all third country GIs.

\(^{20}\) Article 7(2) of the GI Regulation.

\(^{21}\) It appears from the context of Article 7 of the GI Regulation that this means that the objection is eligible for consideration by the EC Commission.
Regulation (e.g., for failure to meet the definition of geographical indication in the GI Regulation); (b) would “jeopardize the existence of an entirely or partly identical name or of a mark or the existence of products which have been legally on the market for at least five years” prior to publication of the application; or (c) is of a generic name.\(^\text{22}\) The person objecting must file the statement of objection with the member State in which that person is resident or established. That member State then may object to the registration within six months of publication of the application.\(^\text{23}\)

27. By contrast, under Articles 12b and 12d, just as in the case of registration, it appears that persons from another WTO Member can object to an application for GI registration only if that WTO Member satisfies the conditions of equivalency and reciprocity laid down under Article 12. Further, they may not submit their objections directly to an authority in the EC, such as the Commission or even to an EC member State, which is required to evaluate the objections pursuant to the GI Regulation and has a long-established internal mechanism for working with the Commission on these matters. Rather, they must submit their objection to the WTO Member in which they reside or are established, which then is supposed to decide whether to forward the objection to the Commission. In addition, only a person from a third country that has a “legitimate interest” may object to a registration, and only those with a “legitimate economic interest” are authorized to consult the application.\(^\text{24}\) This is in contrast to objections from persons resident or established in an EC member State, who need only be “legitimately concerned.”\(^\text{25}\)

**Scope of protection**

28. The very broad scope of protection for registered geographical indications is set out in Article 13(1) of the GI Regulation, which states that

> Registered names shall be protected against the following:

\(\begin{align*}
\text{(a)} & \quad \text{any direct or indirect commercial use of a name registered in respect of products not covered by the registration in so far as those products are comparable to the products registered under the name or insofar as using the name exploits the reputation of the protected name;} \\
\text{(b)} & \quad \text{any misuse, imitation or evocation, even if the true origin of the product is indicated or if the protected name is translated or accompanied by an expression such as ‘style’, ‘type’, ‘method’, ‘as produced in’, ‘imitation’ or ‘similar’;} 
\end{align*}\)

\(^\text{22}\) Article 7(4) of the GI Regulation.

\(^\text{23}\) Articles 7(1) and 7(2) of the GI Regulation.

\(^\text{24}\) Article 12d(1) of the GI Regulation.

\(^\text{25}\) Article 7(3) of the GI Regulation.
(c) any other false or misleading indication as to the provenance, origin, nature or essential qualities of the product, on the inner or outer packaging, advertising material or documents relating to the product concerned, and the packing of the product in a container liable to convey a false impression as to origin;

(d) any other practice liable to mislead the public as to the true origin of the product.

29. Article 13(2) also provides that protected names may not become generic, i.e., become the “common name” of an agricultural product or foodstuff.26

30. In addition, only products qualified to use a registered GI may include the official EC “GI” symbol or logo on its labels, packaging, and advertising materials.27

31. Finally, Article 14 specifically addresses trademarks in the context of GIs. Article 14(2) provides that if the use of certain prior trademarks “engenders one of the situations indicated in Article 13”, they “may continue to be used notwithstanding the registration of” a geographical indication. The GI Regulation fails to provide the owner of a valid prior trademark the right to prevent the use of a GI that results in a likelihood of confusion with respect to the trademark.

IV. THE EC GI REGULATION IS INCONSISTENT WITH THE EC’S OBLIGATIONS UNDER THE TRIPS AGREEMENT AND THE GATT 1994

A. The EC GI Regulation is inconsistent with the EC’s obligations to provide national treatment

32. The EC GI Regulation is inconsistent with two different national treatment obligations under the WTO Agreements. The first is the obligation to provide national treatment with respect to the nationals of other WTO Members under Article 3.1 of the TRIPS Agreement, and, through its incorporation by Article 2.1 of the TRIPS Agreement, Article 2 of the Paris Convention. The second is the obligation to provide national treatment with respect to the products of other WTO Members, under Article III of the GATT 1994. This section addresses each of these inconsistencies separately below. Section A.1 immediately below addresses the GI Regulation’s inconsistencies with the national treatment obligations of the TRIPS Agreement and the Paris Convention. Section A.2 then addresses the GI Regulation’s inconsistencies with the national treatment obligations of the GATT 1994.

26 See Article 3(1) of the GI Regulation.

1. The EC GI Regulation is inconsistent with the EC’s national treatment obligations with respect to nationals of other WTO Members under the TRIPS Agreement and the Paris Convention

a. The national treatment obligation under the TRIPS Agreement and the Paris Convention

i. Introduction

33. The national treatment obligation has been a standard element in intellectual property agreements for over 120 years, dating from 1883, when the Paris Convention was first concluded. The Appellate Body called it a “fundamental principle of the world trading system” and noted that the framers of the TRIPS Agreement not only incorporated the national treatment obligations of the Paris Convention directly into the TRIPS Agreement, but also saw fit, in addition, to include an additional provision on national treatment in the TRIPS Agreement. “Clearly,” the Appellate Body concluded, “this emphasizes the fundamental significance of the obligation of national treatment to their purposes in the TRIPS Agreement.”

Indeed, the significance of the national treatment obligation can hardly be overstated. Not only has the national treatment obligation long been a cornerstone of the Paris Convention and other international intellectual property conventions. So, too, has the national treatment obligation long been a cornerstone of the world trading system that is served by the WTO.

As we see it, the national treatment obligation is a fundamental principle underlying the TRIPS Agreement, just as it had been in what is now the GATT 1994.

34. There is a considerable body of GATT and WTO dispute settlement reports that have considered the national treatment obligation in Article III of the GATT 1994. But there has been only one dispute raising the national treatment obligation in the context of the TRIPS Agreement and the Paris Convention. Therefore, this dispute represents only the second time that the TRIPS Agreement and Paris Convention obligations with respect to this “fundamental principle of the world trading system” will be clarified.

32 I.e., U.S. – Section 211.
ii. Article 2 of the Paris Convention

(1) The ordinary meaning of the terms in Article 2 of the Paris Convention

35. Article 2.1 of the TRIPS Agreement directly incorporates many provisions of the Paris Convention, including the national treatment obligation in Article 2 of the Paris Convention:

    Nationals of any country of the Union shall, as regards the protection of industrial property, enjoy in all the other countries of the Union the advantages that their respective laws now grant, or may hereafter grant, to nationals; all without prejudice to the rights specifically provided for by this Convention. Consequently, they shall have the same protection as the latter, and the same legal remedy against any infringement of their rights, provided that the conditions and formalities imposed upon nationals are complied with.

36. Article 2(2) of the Paris Convention specifies, in addition, that no requirement of domicile or establishment shall be imposed on nationals of other Members as a prerequisite for the enjoyment of any industrial property right.

37. In the Paris Convention, “industrial property” is understood “in its broadest sense”. “Protection of Industrial property”, for which Members must provide national treatment, includes, among its “objects”, trademarks, indications of source or appellations of origin, and the repression of unfair competition, and applies specifically to agricultural industries and all manufactured and natural products.

38. The protection of “indications of source” is clarified in Article 10 of the Paris Convention, which provides that remedies be made available to “interested parties” against goods bearing false indications as to their source. “Interested party” includes any producer of goods located in the locality falsely indicated as the source (or located in the region where such locality is situated) or any producer located “in the country where the false indication of source is used”. Similarly, Article 10bis, which addresses unfair competition, requires Members to assure nationals of all other Members effective protection against unfair competition, which includes “indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods.”

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33 Article 1(1) of the Paris Convention.
34 Article 1(2) of the Paris Convention.
35 Article 1(3) of the Paris Convention. Examples given include grain, fruit, cattle, mineral waters, beer, flowers, and flour.
36 Article 10(2) of the Paris Convention.
39. Therefore, with respect to the Paris Convention, national treatment “as regards the protection of industrial property” includes national treatment as regards the right of all interested parties, regardless of nationality, to prevent false indications that certain goods come from the region in which those interested parties produce goods or that the goods possess certain characteristics. Further, this protection with respect to indications of source and unfair methods of competition is not limited to situations in which the region falsely indicated as the source is in the territory in which the false indication is used. Rather, it includes situations where that region – in which interested parties produce goods – is outside that territory (e.g., a region in the territory of another Paris Convention Member). It is this protection, which concerns false indications of source and unfair methods of competition in relation to any region in which interested parties are producing goods, that is subject to the national treatment obligation. Of course, a Member may impose substantive and procedural requirements for obtaining this protection on interested parties. But whatever requirements are in place with respect to indications of source and unfair methods of competition, they have to provide the same advantages to non-nationals as they do to nationals.

40. This is clear from the language of the national treatment obligation itself, in Article 2(1) of the Paris Convention, which provides that, as regards the protection of indications of source and unfair competition, among other industrial property:

   Nationals of any country of the Union shall . . . enjoy in all the other countries of the Union the advantages that their respective laws now grant, or may hereafter grant, to nationals . . . Consequently, they shall have the same protection as the latter, and the same legal remedy against any infringement of their rights.

41. The ordinary meaning of these terms is that, whatever advantages a Member grants to its own nationals with respect to the industrial property rights at issue, must also be granted to the nationals of other Members. This obligation does not dictate the substance or procedures of a Member’s laws on intellectual property. It requires only that, whatever a Member’s substantive rules or procedures – such as those of the EC’s GI system, with its particular processes – they must result in the same advantages for nationals of other Members.

(2) Relationship between Article 2(1) of the Paris Convention and conditioning national treatment on reciprocity and equivalence

42. The ordinary meaning of the national treatment obligation speaks for itself: a Member cannot deny to other nationals advantages that it grants to its own nationals with respect to

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37 See Articles 10 and 10bis(3) of the Paris Convention.
38 Article 10 of the Paris Convention defines “interested parties” as including both producers in the locality falsely indicated as the source, and those in the country where the false indication of source is used.
indications of source and unfair competition. However, there are two specific concerns underlying this obligation that are relevant to this dispute. First is the concern that “reciprocity” must not be a condition for protecting the industrial property of other Members’ nationals: a Member must treat nationals of other Members at least as well as it treats its own, regardless of the treatment accorded by the other Members to their own or other nationals. The second is that a Member may not require that other Members adopt particular substantive or procedural rules as a condition for protecting the intellectual property rights of the nationals of those Members (i.e., “equivalence”).

iii. Article 3.1 of the TRIPS Agreement

43. As the Appellate Body recently noted, the importance of national treatment in the TRIPS Agreement is reflected in the fact that the framers of the WTO Agreement not only incorporated the long-standing national treatment obligation in the Paris Convention directly into the TRIPS Agreement, but they also added additional TRIPS Agreement-specific provisions that build on the Paris Convention national treatment obligations.

44. Article 3.1 of the TRIPS Agreement requires a WTO Member to “accord to the nationals of other Members treatment no less favourable than that it accords to its own nationals with regard to the protection of intellectual property.” In that provision, “the term intellectual

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40 The importance of these conclusions was made clear at the very first negotiating session for the Paris Convention in 1880, where the concept of national treatment in intellectual property rights was born. In the welcoming remarks for that first session, the French Minister for Agriculture and Commerce stated that the Conference could not achieve a complete international treaty of industrial property because of the difficulty of unifying national laws. He concluded that the Conference should, therefore, strive to find the means to constitute a union which, without encroaching on domestic legislation, would assure national treatment and lay down a number of uniform general principles. Actes de Paris, 1880, pp. 14 - 17, at p. 16 (emphasis added). Exhibit US-3. In the negotiations on the national treatment provision, the French negotiator who had prepared the initial draft emphasized that, in order to be acceptable, the convention would have to respect the internal legislation of all contracting parties to the extent possible, and to restrict it to an obligation to extend national treatment to foreigners. Actes de Paris, 1880, pp. 33 (emphasis added). Exhibit US-3. In the course of that discussion, the national treatment obligation was clarified by the deletion of the word “reciproquement” from the original draft. Id., pp. 39 -45. Exhibit US-3. And indeed, in subsequent revisions to this provision, several proposals to include a reciprocity element in the obligation found no support and were withdrawn. For instance, a proposal by the United States to provide for the right to impose upon nationals of the other countries the fulfillment of conditions imposed on its nationals by those countries found no support and was withdrawn. Actes de La Haye, 1925, pp. 413 - 415 (First Sub-Committee). Exhibit US-4.


42 Footnote omitted.
property refers to all categories of intellectual property that are the subject of Sections 1 through 7 of Part II of the TRIPS Agreement, which includes the categories “trademarks” (section 2) and “geographical indications” (section 3). “Protection” is broad in meaning, and includes “matters affecting the availability, acquisition, scope, maintenance and enforcement of intellectual property rights as well as those matters affecting the use of intellectual property rights specifically addressed in this Agreement.”

The ordinary meaning of Article 3.1, therefore, signifies a broad obligation for the EC to accord non-EC nationals no less favorable treatment than it accords its own nationals with respect to the availability, acquisition, scope, maintenance and enforcement of rights in geographical indications, as well as to those matters affecting the use of geographical indications that are the subject of the TRIPS Agreement.

45. Under the TRIPS Agreement, these rights include the right, with respect to geographical indications, for “interested parties” to have the legal means to prevent the use of designations on a good that mislead the public as to the geographic origin of the good. Similarly to the Paris Convention, this includes the right of all interested parties, regardless of nationality, to prevent uses in one Member that, inter alia, mislead the public into thinking that a good comes from the geographic region of the interested parties in another Member. This reading is reinforced by the definition of “geographical indications” in the TRIPS Agreement as “indications which identify a good as originating in the territory of a Member, or a region or locality in that territory.” Therefore, the national treatment obligation under the TRIPS Agreement is that, whatever treatment a Member accords to its own nationals with respect to the rights in geographical indications, it must accord treatment at least as favorable to nationals of other WTO Members. This does not necessarily dictate how a Member provides for geographical indication protection, and does not prevent a Member from imposing substantive and procedural rules with respect to that protection. However, it does require that, whatever those rules are, they do not result in less favorable treatment of other Members’ nationals.

46. As in the case of the Paris Convention national treatment obligation, implicit in the TRIPS Agreement national treatment obligation is a prohibition on conditioning the treatment of other Members’ nationals on reciprocity or on other Members having a specific domestic regime of protection. Indeed, the national treatment obligation is a recognition that, despite the many substantive and procedural obligations in the TRIPS Agreement, not all aspects of the protection of intellectual property rights are subject to specific obligations, and that the TRIPS Agreement does not represent or require a complete harmonization of the Members’ intellectual property laws. The obligation is that, whatever the rules are for a Member’s own nationals, including with

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43 Article 1.2 of the TRIPS Agreement.
44 Article 3, fn. 3, of the TRIPS Agreement.
45 Indeed, as stated in its preamble, one object and purpose of the TRIPS Agreement is to provide adequate standards and principles concerning the availability, scope and use of trade-related intellectual property rights. GI rights are particularly “trade-related” to the extent they relate to the protection in one Member’s territory of GIs indicating an area in another Member’s territory.
respect to aspects not harmonized by the TRIPS Agreement, they must treat other Members’ nationals at least as favorably.

47. The context of the TRIPS Agreement national treatment obligation supports this reading. Article 3.1 is in Part I of the TRIPS Agreement, entitled “General Provisions and Basic Principles”. The specific obligations with respect to each of the categories of intellectual property are set out in Part II: “Standards Concerning the Availability, Scope and Use of Intellectual Property Rights”. But the obligations specific to each of the seven categories of intellectual property in Part II do not cover all procedural and substantive aspects of protecting those intellectual property rights. For this reason, Article 3.1 is a general provision enunciating a basic principle underlying the obligations that follow in Part II that, whatever the rules are with respect to the protection of the seven categories of intellectual property – even with respect to those rules that are not subject to specific obligations – they must not result in treatment for other Members’ nationals that is less favorable than that accorded one’s own nationals.

48. Further, another “general provision and basic principle” is in Article 1.1, which specifically emphasizes that Members “shall be free to determine the appropriate method of implementing” the TRIPS Agreement. This provision recognizes that there are different ways to implement the obligations of the TRIPS Agreement and that Members are not obligated to select any particular means of implementation over another. Article 1.1 also permits Members to implement more extensive protection than is required by this Agreement, but specifically requires that any such more extensive protection not contravene the provisions of the Agreement. Therefore, whatever means of implementation or extent of protection a Member chooses under the TRIPS Agreement, it must not treat other Members’ nationals less favorably than one’s own nationals. This safeguard is critical, especially in the area of geographic indications, in which there is an acknowledged wide variety of mechanisms used to implement the obligations.

49. Article 1.1 of the TRIPS Agreement as a whole underscores the conclusion already apparent from the ordinary meaning of Article 3.1 that a Member may not condition protection of GI rights on other Members having an equivalent system of protection: where the TRIPS Agreement itself provides the freedom for Members to determine the appropriate method of implementing its provisions, a particular Member cannot undercut this right by requiring a particular method of implementation as a condition of protecting GI rights. Again, this principle is especially significant in the area of geographical indications, where there is a wide variety of methods for implementing the TRIPS Agreement obligations.

50. With respect to national treatment in the context of goods, under Article III of the GATT 1994, as one panel noted, determinations as to whether imported “like products” are being

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discriminated against must be made “in the light of the purpose of Article III, which is to ensure
that internal taxes and regulations ‘not be applied to imported or domestic products so as to
afford protection to domestic production’. The purpose of Article III is not to harmonize the
internal taxes and regulations of contracting parties, which differ from country to country.” The
same is true for the national treatment provision in the TRIPS Agreement.

51. The underlying principle for the national treatment obligation was illustrated recently in
U.S. – Section 211. In that dispute, the panel recognized that, although the TRIPS Agreement
contained obligations on the kinds of signs that must be eligible to be trademarks, it did not
contain obligations with respect to who was the legitimate “owner” of a trademark under
domestic law. The particular ownership rules for trademarks – like many substantive and
procedural rules on intellectual property – were left to the domestic legislation of the Members.
After expressing concern about the potential for abuse through arbitrary national legislation on
ownership, the panel noted that the TRIPS Agreement “is not without safeguards against
potential abuse”, specifically noting that “Articles 3 and 4 of the Agreement require a Member to
accord national and most-favoured-nation treatment to the nationals of other Members.” In
other words, the panel, affirmed by the Appellate Body, found that the TRIPS Agreement had not
harmonized or imposed specific trademark ownership rules, but that the national treatment and
most-favored-nation obligations provided the necessary safeguards against abuse in those areas
where the TRIPS Agreement did not provide specific obligations.

iv. Conclusion with respect to Article 2 of the Paris
Convention and Article 3.1 of the TRIPS Agreement

52. In sum, the right with respect to indications of source, unfair competition, and
geographical indications in the Paris Convention and the TRIPS Agreement includes the right of
interested parties with respect to designations that mislead the public in a given territory into
thinking that a good comes from the region in which the interested party is established and
produces goods, and, in the case of geographical indications under the TRIPS Agreement, that
the good possesses the qualities, reputation, or other characteristic of products coming from that
geographic area. This right applies whether or not the interested party is established and
producing goods in the territory of the Member in which the misleading use is occurring. It is
this right in geographical indications and indications of source that is subject to the national
treatment obligation: whatever requirements a Member has may not result in less favorable
treatment for other Members’ nationals.

53. Moreover, the EC has an obligation under the TRIPS Agreement and the Paris
Convention to treat non-EC nationals at least as well as EC nationals in all matters pertaining to
the availability, acquisition, maintenance, and enforcement of rights in both non-EC and EC

47 U.S. – Malt Beverages, para. 5.25. Emphasis added.
geographical indications and other types of indications of source, including with respect to the ability of non-EC nationals to register and protect the indications of source and geographical indications of goods they produce in their country of nationality from misleading and unfair uses in the EC. These national treatment provisions prohibit making the availability, acquisition, maintenance, and enforcement of these rights for nationals of other Members contingent on “reciprocity” by other Members. Further, these national treatment provisions prohibit making the availability, acquisition, maintenance, and enforcement of rights for nationals of other Members contingent on those other Members having a particular system of protection themselves. Indeed, especially with respect to geographical indications, where there are numerous accepted methods among the WTO Members of offering GI protection, there is no requirement in the TRIPS Agreement that a Member adopt a particular system of GI protection. Nor can a single Member impose such a requirement as a prerequisite for other Members’ nationals to receive protection. A Member cannot, through the selective withholding of rights from another Member’s nationals, obtain concessions from other Members that it was unable to achieve at the negotiating table in the TRIPS Agreement. To the contrary, the national treatment obligation is clear: in all matters pertaining, inter alia, to the availability, acquisition, enforcement and maintenance of rights in geographical indications located in the territory of WTO Members, non-EC nationals must be accorded treatment at least as favorable as EC nationals.

54. The EC GI Regulation fails flatly to meet this obligation.

55. In sections b and c below, the United States describes in a unitary fashion how the EC GI Regulation is inconsistent with the national treatment obligations of the TRIPS Agreement and the Paris Convention. As discussed above, however, there is a distinction between the relevant rights in the Paris Convention and those in the TRIPS Agreement. “Protection of Industrial property” under the Paris Convention has as its object “indications of source or appellations of origin and the repression of unfair competition”, and so requires protection against direct or indirect use of a false indication of geographic source that may, inter alia, mislead the consumer as to the characteristics of the goods. The TRIPS Agreement also covers indications of geographic source where they rise to the level of “geographical indication” as defined in Article 22.1 of the TRIPS Agreement – i.e., where “a given quality, reputation, or other characteristic of the good is essentially attributable to that origin.” The GI Regulation’s rules with respect to geographical indications are also rules with respect to indications of source and unfair methods of competition. As such, they are subject both to the national treatment obligation of the Paris Convention, which requires national treatment with respect to indications of source and unfair methods of competition, and to the national treatment obligation of the TRIPS Agreement, which requires national treatment with respect to GIs in particular.

56. For ease of reading, therefore, in sections b and c below, when reference is made to the national treatment obligation with respect to GIs, it is understood to mean a reference to the

49 See, e.g., WIPO Document SCT/8/4 (Exhibit US-5) and WIPO Document SCT/9/4 (Exhibit COMP-16).
TRIPS Agreement national treatment obligation with respect to GIs, as well as the Paris
Convention national treatment obligation with respect to designations of origin and unfair
competition.

b. Non-EC nationals are accorded less favorable treatment than
EC nationals under the GI Regulation with respect to the
registration and protection of geographical indications.

i. Introduction

57. The EC GI Regulation is entirely inconsistent with the national treatment obligations of
the Paris Convention and the TRIPS Agreement. Indeed, it specifically conditions GI protection
on reciprocity and equivalence, two conditions that the national treatment obligation was
specifically intended to prohibit. Further, it runs directly contrary to the freedom that Members
have under Article 1.1 of the TRIPS Agreement to determine the appropriate method of
implementing the TRIPS Agreement. To summarize the details presented further below, the
explicit purpose of the GI Regulation is to bestow numerous significant commercial and
competitive advantages on those entitled to register and use geographical indications, including
higher profits, a coveted label, the ability to stop others from a wide variety of uses, including the
use of words that even “evoke” the geographical indication, broad enforcement in all EC
Member States (both by government authorities on their own initiative, as well as by right
holders), and guarantees against their registered name becoming generic, among other significant
benefits. These advantages are available immediately and uniformly throughout the EC, which
the EC itself recognizes is a significant advantage over attempting to seek protection separately
under the different laws of each of the EC member States (even assuming that this is possible).

58. Yet these advantages are not made available on the same terms to the nationals of all
other Members. EC nationals are permitted to register their home-based EC geographical
indications, and obtain all of the considerable competitive advantages touted by the EC, but U.S.
nationals (and nationals of most other WTO Members) are currently not able to register their
home U.S. geographical indications, and therefore cannot get any of the benefits of EC-wide GI
protection summarized above. This is plainly inconsistent with the EC’s obligations under the
TRIPS Agreement and Paris Convention to treat U.S. and other WTO Member nationals at least
as well as EC nationals with respect to the protection of rights in geographical indications.

59. Further, taking the United States as an example, the only way that U.S. nationals might in
the future be able to register U.S.-based GIs, and thus obtain the same EC-wide GI protection for
their U.S.-based GIs as EC nationals have for their EC-based GIs, is for the United States to (a)
reciprocally grant equivalent GI protection for agricultural products and foodstuffs coming from
the EC;\(^{50}\) and (b) adopt a system for protecting geographical indications that the EC unilaterally

\(^{50}\) Article 12(1) of the GI Regulation.
decides is equivalent to that in the EC, including equivalent inspection and objection systems. As discussed above, such requirements are directly contrary, not only to the letter of the national treatment obligation, but also to its specific objective of prohibiting the conditioning of national treatment on reciprocity and equivalency. Further, it forces Members to adopt a particular set of rules to implement the TRIPS Agreement, contrary to Article 1.1 of the TRIPS Agreement. Instead of recognizing that there are many different ways to fulfill the TRIPS Agreement obligations on GIs, the EC is in effect telling the United States that its nationals will not be able to register their U.S.-based GIs in the EC and receive EC-wide protection for those GIs – as EC nationals are permitted to do with respect to their EC-based GIs – unless the United States adopts a system for GI protection that the EC judges is equivalent to the EC system. In addition, only if the United States agrees, through this EC-mandated system, to offer reciprocal protection to EC products, will the EC allow U.S. nationals protection with respect to their U.S-based GIs comparable to what EC nationals already receive with respect to their EC-based GIs.

60. These conditions simply cannot stand up in the face of the national treatment obligations of the TRIPS Agreement and the Paris Convention.

ii. The EC GI Regulation accords less favorable treatment to non-EC Nationals with respect to registration and consequent protection

61. The preamble to the EC GI Regulation specifies that its major objective is to bestow a competitive benefit on producers of products with registered GIs, recognizing that:

(a) empirically, consumers are tending to attach greater importance to the quality of foodstuffs, generating a growing demand for agricultural products or foodstuffs with an identifiable origin;

(b) experience in the EC member States has been that agricultural products or foodstuffs with a registered and identifiable origin have proven successful for producers of those products, who have thus been able to secure higher incomes in return for improved quality; and

(c) in light of the diversity of national practices with respect to registered GIs, a uniform approach will ensure “fair competition between the producers” of registered GI products.

62. The specific advantages bestowed on producers of registered GI products are laid out in the GI Regulation, including:
The ability to register their GIs in the official EC-wide “Register of protected designations of origin and protected geographical indications”.  

The right to use the protected geographical indication throughout the EC market on products that qualify for the GI.

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

A broad right to have that registered GI protected throughout the EC, both automatically, at the initiative of government authorities, as well as through private rights of action, against a broad range of competing and disparaging uses.

Protection from having the registered GI become generic (which causes the geographic indication to lose its value).

(1) Non-EC National are accorded less favorable treatment with respect to the registration and protection of their non-EC-based GIs than EC nationals are with respect to their EC-based GIs.

Plainly, the GI Regulation offers significant advantages and favorable treatment to producers of qualifying products with respect to the availability, acquisition, scope, maintenance,

51 Articles 6(1) - 6(4) of the GI Regulation.
52 Article 4(1) of the GI Regulation.
53 Article 5a of Commission Regulation 2037/93, p. 5. Exhibit COMP-2.a.
56 Article 13 of the GI Regulation.
57 Article 13(3) of the GI Regulation.
and enforcement of rights in GIs, as well as matters affecting the use of GIs. Unfortunately for U.S. producers of quality products from U.S. regions, these considerable advantages with respect to rights in GIs are available only for producers and processors in the EC. Article 5(3) requires that the application for the registration of a GI be “sent to the member State in which the geographical area is located.” U.S. producers of quality products from U.S. geographical areas, therefore, cannot even file a registration application, because their GI does not refer to a region in the EC.

64. The only avenue available to U.S. nationals to apply for GI protection with respect to their U.S.-based GIs is in Article 12, which provides that the GI Regulation may apply to goods from third countries, including WTO Members, but only if that WTO Member satisfies certain conditions. First, that WTO Member must adopt a system for GI protection that is equivalent to that in the EC, that is, a system (i) under which the WTO Member can provide guarantees equivalent to those in the GI Regulation that its GI products meet the EC product specifications in Articles 4 and 10 of the GI Regulation, (ii) providing objection rights equivalent to those in the GI Regulation, (iii) providing for internal inspection structures equivalent to those in the EC, and (iv) providing GI protection to EC products that is equivalent to that available in the EC. The required inspection structures, described under Article 10 of the GI Regulation, must satisfy numerous specific requirements, including, if private bodies are responsible, compliance with requirements laid down in other European standards. Second, any such WTO Members must offer reciprocity: the EC will register and protect products from another WTO Member only if that WTO Member is “prepared to provide protection equivalent to that available in the Community to corresponding agricultural products...” or foodstuffs coming from the Community.”

65. In other words, a U.S. national is not able to acquire, does not have available to him, and is unable to enforce, the same rights to his U.S.-based GIs as EC nationals have with respect to their EC-based GIs, unless the United States (1) harmonizes its GI protection system to that of the EC (and, therefore drops its current system of protection through the certification and collective mark system and creates two separate GI protection systems, one specific to GIs, the other trademark-based); and (2) offers reciprocity with respect to European products.

66. These requirements of equivalency and reciprocity by a WTO Member as a condition of granting GI rights to nationals of that Member are inconsistent with, and indeed, directly contrary to, the national treatment obligations of the TRIPS Agreement and the Paris Convention.

67. This reading of the national treatment obligation is not unique to geographical indications. For instance, in the area of trademarks, there are, in general, two recognized systems for providing trademark protection among WTO Members. The EC bases trademark ownership

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58 Article 12(1) of the GI Regulation.
59 Article 10 of the GI Regulation.
on registration; the United States generally bases trademark ownership on use.\textsuperscript{60} The TRIPS Agreement is designed to accommodate both systems, and neither is preferred.\textsuperscript{61} Yet the TRIPS Agreement does contain an obligation, in Article 15, to make certain signs eligible for registration as trademarks. It also requires, in Article 16.1, that the owner of a registered trademark be provided with specified exclusive rights to prevent certain uses of similar or identical signs. The EC could not, consistent with its national treatment obligations, withhold from U.S. nationals the ability to register signs or to prevent confusing uses, simply because the U.S. system of trademark protection is different from that of the EC. Nor could it refuse to allow U.S. nationals to register a trademark in the EC or to exercise its trademark rights unless the United States agreed to permit EC nationals to base their U.S. trademark ownership on registration in the United States, rather than use, contrary to the U.S. system of trademark protection. In the area of trademarks, as in the area of geographical indications, the EC simply cannot condition intellectual property protection for a WTO Member’s nationals on that WTO Member (1) adopting an EC-equivalent system of protection and (2) offering reciprocal protection to EC products or nationals. As discussed above, both of these conditions on making intellectual property protection available to U.S. nationals – equivalency and reciprocity – are inconsistent with the EC’s national treatment obligations. This is as true in the area of geographical indications as it is the in area of trademarks.

68. Finally, even if a non-EC national succeeds in registering his home-based GI in the EC, he is still faced with treatment that is less favorable than that accorded his EC national counterpart. Under Article 12(2) of the GI Regulation, a name registered by such a non-EC national will be authorized “only if the country of origin of the product is clearly and visibly indicated on the label.” There is no such requirement with respect to the use of name by an EC national with respect to his EC-based GI.

(2) The national treatment obligation in the context of goods is instructive as to the GI Regulation’s inconsistency with the national treatment obligations of the TRIPS Agreement and Paris Convention

69. This conclusion is also consistent with a long line of adopted dispute settlement rulings and recommendations with respect to national treatment in the area of goods under the GATT 1994. The Appellate Body noted in \textit{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.\textsuperscript{60} E.g., Appellate Body Report, \textit{U.S. – Section 211}, para. 199.

\textsuperscript{61} Note, e.g., that Article 16.1, providing rights with respect to registered trademarks, states that those rights shall not “affect the possibility of Members making rights available on the basis of use.” \textit{See also U.S. – Section 211}, paras. 188, 199.
1994. 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.” 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.” As the Appellate Body itself has noted, national treatment is one of these principles.

70. The dispute settlement history under Article III of the GATT 1994 does in fact offer some useful guidance for this dispute. Both the Appellate Body and panels have repeatedly established that “[t]he broad and fundamental purpose of Article III [the national treatment obligation] is to avoid protectionism in the application of tax and regulatory measures” Of course, the national treatment obligation in the GATT 1994 applies to products and that in the TRIPS Agreement and the Paris Convention applies to nationals. But the general principle is easily extrapolated: the national treatment obligation is intended to avoid protectionism with respect to the protection of intellectual property rights.

71. To this end, in the goods context under Article III, the Appellate Body has stated that it will examine objectively the underlying criteria used in a measure, its structure and its overall application to ascertain whether it is applied in a way that affords protection to domestic products. According to the Appellate Body, the protective application of a measure “can most often be discerned from the design, the architecture, and the revealing structure of a measure.” In the dispute Japan – Alcohol, such factors as the magnitude of dissimilar taxation between a primarily Japanese-produced white spirit, shoju, and a primarily imported white spirit, vodka, was considered evidence of a protective application.

72. Similarly, in the dispute Korea – Alcohol, the Appellate Body affirmed the panel’s finding of a violation of national treatment in Korea’s low taxes on soju and high taxes on other types of alcohol. The Appellate Body noted with approval the Panel’s explanation that “[t]here is virtually no imported soju, so the beneficiaries of this structure are almost exclusively domestic producers.” In other words, the structure of the tax – although the rates were not expressly based on the origin of the product – was such that the high taxes were imposed almost exclusively on imported products.

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64 Second paragraph, preamble, TRIPS Agreement.
68 Id.
69 Appellate Body Report, Korea – Alcohol, para. 150, citing the panel report, para. 10.101.
73. In *Chile – Alcohol*, the Appellate Body found that, even though Chile’s tax structure was based on objective criteria — *i.e.*, higher taxes were imposed on beverages with higher alcohol content, and lower taxes on beverages with lower alcohol content — there was a violation of national treatment because the lower tax rate ended at the point where most domestic products were found, and the higher tax rate began at the point where most imports were found.

74. In this dispute, applying the principles found in adopted dispute settlement rulings and recommendations with respect to GATT Article III, the GI Regulation’s protective structure is plain. The GI Regulation specifically recognizes the significant advantages it is granting, then systematically denies these advantages to nationals producing in their country of nationality when that country does not adopt EC-style rules and promise reciprocal treatment.

75. Similarly, just as the substantial difference between the tax rates on imported products and domestic products was evidence of the protective nature of the measure in the *Alcohol* disputes, the substantial difference in treatment between EC-based GIs and non-EC-based GIs — one can be registered and protected on an EC-wide basis, and the other cannot — is evidence of the protective nature of the GI Regulation.

76. In addition, the national treatment obligation with respect to goods under Article III of the GATT 1994 has been found to require “treatment of imported products no less favourable than that accorded to the most-favoured domestic products.”

77. The Appellate Body has been clear that a measure is inconsistent with national treatment if it imposes an “extra hurdle” on non-EC nationals that is not imposed on EC nationals. As

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70 Appellate Body Report, *Chile – Alcohol*, para. 66.

71 *U.S. – Malt Beverages*, paras. 5.17, 5.33 (emphasis added).

discussed above, the requirements imposed by the GI Regulation on non-EC nationals as a condition of national treatment are not merely an “extra hurdle”: they are themselves directly inconsistent with the national treatment obligation. However, they also can be viewed as “extra hurdles” imposed on non-EC nationals, albeit “extra hurdles” that are themselves inconsistent with national treatment.

78. The EC GI Regulation plainly imposes a number of “extra hurdles” on non-EC nationals who wish to have their home-based GIs registered and protected under the GI Regulation and achieve the same protection as is accorded to EC nationals with respect to their EC-based GIs. This registration and protection goes to the availability, acquisition, maintenance, and enforcement, among other matters, of GI rights in the EC.

79. Article 22.2 of the TRIPS Agreement requires Members to provide the legal means for interested parties to prevent misleading uses of GIs and any use constituting an act of unfair competition under Article 10bis of the Paris Convention. The GI Regulation does provide the direct legal means for persons established in the EC to apply for registration and have their EC-based GIs protected on an EC-wide basis. By contrast, non-EC nationals hoping to have their non-EC based GIs registered and protected face a number of additional hurdles. First, and perhaps most significantly, under Article 12(1) of the GI Regulation, that national would have to convince its government to adopt an EC-equivalent system of GI protection (including extensive inspection systems and the like), to offer reciprocal GI treatment to EC agricultural products and foodstuffs, and to take actions necessary to convince the EC, under Article 12(3), that its GI protection system and offer of reciprocity satisfy the EC’s requirements. To achieve protection, the WTO Member would have to actually take all of these steps, with all of the additional time, effort, and expense that this entails. An EC national seeking to register its own EC-based GI does not have to do any of this to register and have protected its GIs on an EC-wide basis.

80. Indeed, as a practical matter, non-EC nationals do not have the legal means to have their non-EC-based GIs registered and protected under the GI Regulation, and do not have any sure way of obtaining those legal means. These interested parties simply are not in a position, either to establish a full EC-style GI system in their home country, or to provide reciprocal treatment.

81. Second, even where this hurdle does not exist – where the EC has determined that the GI protection system of a WTO Member is equivalent to the EC system and where that Member offers reciprocal treatment to EC products – the non-EC national still faces an extra hurdle not faced by EC nationals. Unlike his EC-based counterpart, a non-EC national seeking protection for his home-based GI cannot apply for registration directly to the competent authorities in Europe. Rather, he must petition his government to apply on his behalf. That non-EC Member may have neither the infrastructure nor the inclination to satisfy the stringent EC requirements with respect to that application, which includes an independent analysis of whether the

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73 E.g., Articles 5 and 6 of the GI Regulation.
application meets the EC’s standards, possible consultations with EC Member States, the development and submission of the legal provisions and the usage on which the GI status is based, a declaration that the full EC-compliant inspection structures exist in that WTO Member, and any other documents on which that Member’s assessment was based.\textsuperscript{74}

82. In other words, the GI Regulation has in place procedures, directly applicable to EC nationals and member States, under which EC nationals can apply through their member States to the Commission to have their GIs registered and protected on an EC-wide basis. There are no such procedures in place with respect to an application from a non-EC national producing products outside the EC. An EC national has the infrastructure and the regulations in place that allow him to register his EC-based GI directly with his member State. A non-EC national has no such infrastructure or regulations, and must depend on the WTO Member of which he is a national to first put such procedures in place.

83. For these reasons, in addition to those mentioned above, non-EC nationals are not being accorded treatment as favorable as that granted EC nationals under the GI Regulation with respect to the protection of geographical indications, under Article 3.1 of the TRIPS Agreement. And they are not enjoying all the advantages being granted to EC nationals with respect to their indications of source or with respect to unfair competition, under Article 2(1) of the Paris Convention. They certainly do not have the “same protection” as EC nationals or the “same legal remedy against infringement of their rights” with respect to indications of source or unfair competition.

(4) The EC GI Regulation requires non-EC nationals to become established in the EC as a condition of obtaining GI protection, contrary to Article 2 of the Paris Convention

84. In addition, permitting only GIs located in the EC to be registered and protected is inconsistent with the Paris Convention prohibition on requiring domicile or establishment as a condition of enjoying intellectual property rights. As discussed above, Article 2(1) of the Paris Convention requires Members to permit nationals of other Members to enjoy the advantages “that their respective laws now grant, or may hereafter grant”, to their own nationals. Paris Convention Article 2(2) provides, in addition, that the Member where protection is claimed – in this dispute, the EC – may not impose any “requirement as to domicile or establishment” in that Member on nationals of other Members “for the enjoyment of any industrial property rights.” As discussed above, “industrial property” is understood broadly under the Paris Convention, and includes indications of source or appellations of origin, including GIs.

\textsuperscript{74} Articles 12(1) and 12(2) of the GI Regulation.
85. The EC GI Regulation imposes an obvious requirement of establishment in the EC as a condition of enjoying rights with respect to indications of origin. It may be possible under the GI Regulation for a U.S. national to register and protect a geographical indication located in the EC, even though he cannot, absent the conditions noted above, do so with respect to his U.S.-based GIs. Therefore a U.S. national might be able to register and protect a GI only if he is producing a product that qualifies for that geographical indication in the EC. Further, he can only claim rights under the GI Regulation with respect to products produced in the EC. Therefore, in order to enjoy rights related to indications of source provided for under the GI Regulation, he must produce or obtain agricultural products or foodstuffs in the EC, and to do this he must have some form of investment or business establishment in the territory of the EC. This requirement that he establish himself in the EC as a precondition to obtain protections with respect to indications of source and unfair competition, is directly prohibited by Article 2(2) of the Paris Convention.

86. In sum, the EC GI Regulation accords less favorable treatment to non-EC nationals than to EC nationals with respect to the registration and consequent protection of GIs. It is for this reason, inconsistent with Article 2 of the Paris Convention and Article 3.1 of the TRIPS Agreement.

c. The EC GI Regulation accords less favorable treatment to non-EC nationals with respect to opportunity to object to the registration of GIs

87. It is not only in the registration of GIs that the GI Regulation is inconsistent with national treatment obligations. The GI Regulation also lays out rules to permit natural or legal persons to object to the registration of a GI. The ability to object to the registration of a GI falls within the scope of “protection of intellectual property” under Article 3.1 of the TRIPS Agreement and “protection of industrial property” under Article 2(1) of the Paris Convention, with respect to which national treatment must be provided because the ability to object is part of the ability to prevent others from using indications in a way that is misleading as to source. Further, the right to object is necessary to the ability to acquire, maintain, or enforce intellectual property rights and to prevent misleading indications of source.

88. The GI Regulation’s provisions with respect to the ability to object to the registration of GIs accord less favorable treatment to non-EC nationals than to EC nationals in several respects.

89. First, the provisions for objecting to the registration of GIs mirror those for registering GIs in several respects, and therefore suffer from the same national treatment defects as those described above with respect to registration. For instance, under the GI Regulation, EC nationals

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75 Articles 7, and 12b(2) and 12d of the GI Regulation.
76 See, e.g., Article 7(4) of the GI Regulation, in which the grounds for objection include where the GI would “jeopardize the existence of an entirely or partly identical name or of a mark” in the EC.
can object to a registration directly by submitting their objection to the member State in which they reside or are established.\textsuperscript{77} Under Article 7(3), “[t]he competent authority shall take the necessary measures to consider these comments or objections within the deadlines laid down.”\textsuperscript{78} The EC member States are then instructed to collaborate in determining how to respond to the objection, or to otherwise refer to the Commission for a final decision.

90. By contrast, non-EC nationals cannot submit their objection directly to the competent authorities in the EC, but must request that their own country transmit the objection.\textsuperscript{79} That country may or may not have an appropriate mechanism to process the objection, and may or may not be inclined to transmit the objection, for its own political or other reasons. By contrast, EC member States have certain obligations under the EC GI Regulation with respect to the processing of objections, and there is an infrastructure in place in the EC to process those objections. As discussed above, the Appellate Body has been clear that a Member’s measure is inconsistent with national treatment obligations if it imposes an extra hurdle on other Members’ nationals that is not imposed on the Member’s own nationals.\textsuperscript{80} This is one of those “extra hurdles” to GI protection that non-EC nationals face, and is, therefore, a violation of national treatment.

91. Further, this additional hurdle also corresponds to a “requirement as to domicile or establishment”, which is a prohibited condition for the enjoyment of rights under Article 2(2) of the Paris Convention. EC persons can submit objections to the member State in which they reside or are established, knowing that those objections will be considered in accordance with the GI Regulation. By contrast, persons not resident or established in the EC are not accorded the same or “no less favorable” treatment, simply because they are not resident or established in the EC.

92. Moreover, Article 12d limits the persons who can object to a registration application submitted by an EC member State to persons from “a WTO member country or a third country recognized under the procedure provided for in Article 12(3)\textsuperscript{i.e.}, satisfying the conditions of equivalency and reciprocity described in the previous section. Just as conditioning registration of U.S.-based GIs on equivalency and reciprocity is impermissible under the national treatment obligations of the TRIPS Agreement and the Paris Convention, so, too, is conditioning the right to object to a registration on equivalency and reciprocity. Therefore, the analysis provided in the previous section with respect to registration and EC-wide protection is equally applicable to objections.

\textsuperscript{77} Article 7(3) of the GI Regulation.
\textsuperscript{78} Emphasis added.
\textsuperscript{79} Articles 12b.2 and 12d.1 of the GI Regulation.
\textsuperscript{80} \textit{See, e.g.}, Appellate Body Report, \textit{U.S. – Section 211}, para. 264; \textit{U.S. – Section 337}, para. 5.19.
93. Finally, the EC GI Regulation allows only non-EC nationals with a “legitimate interest” to object to a GI registration application, and provides further that only those with a “legitimate economic interest” may consult the application for the GI. One of the grounds for objecting to the registration of a name under Article 7(4) is that the registration would jeopardize the existence of an entirely or partly identical name or the existence of products which have been legally on the market for at least five years. Since the GI Regulation grants more favorable treatment to EC nationals than to non-EC nationals with respect to the registration and EC-wide protection of GIs in the first place, EC nationals are similarly more favored than non-EC nationals with respect to the ability to object, because they are in a better position than non-EC nationals to have a “legitimate interest” or a “legitimate economic interest” with respect to competing names in the EC. Non-EC nationals face an extra hurdle with respect to having a name that could be jeopardized by the registration of a GI.

94. Further, unlike a non-EC national, who must have a “legitimate interest” or a “legitimate economic interest” in order to object to the registration of a GI, an EC national wishing to object under Article 7(3) of the GI Regulation may do so if he is “legitimately concerned”. It would appear that the requirement that one be “legitimately concerned” is a lower standard than the requirement that one have a “legitimate interest”, making it easier for an EC national to object to a registration than a non-EC national.

95. For all of these reasons, the GI Regulation’s provisions with respect to objections to a GI registration are inconsistent with the national treatment obligations of the TRIPS Agreement and the Paris Convention.

2. The EC GI Regulation is inconsistent with the EC’s national treatment obligations with respect to goods of other WTO Members under the GATT 1994

96. Article III:4 of the GATT 1994 requires Members to accord no less favorable treatment to products originating in the territory of other Members than it accords to like products of national origin “with respect to all laws, regulations and requirements affecting their internal sale, offering for sale, purchase, transportation, distribution or use.” The Appellate Body has noted that Article III:4 should be interpreted in light of Article III:1, which provides that the Members recognize that these laws, regulations and internal requirements “should not be applied to imported or domestic products so as to afford protection to domestic production.” The result, according to the Appellate Body, is that Article III obligates Members “to provide equality of competitive conditions for imported products in relation to domestic products.” So, as the Appellate Body has concluded in prior disputes, the fundamental question of whether there is a violation of Article III of the GATT 1994 is answered “by examining whether a measure

81 Appellate Body Report, Japan – Alcohol, p. 16 (emphasis added).
modifies the conditions of competition in the relevant market to the detriment of imported products.”

97. The answer to this question with respect to the EC GI Regulation is a resounding “yes”. The EC GI Regulation is primarily intended to permit products that qualify for a registered geographical indication to gain substantial competitive advantages, in terms of prices, profits and market share, over their conventional counterparts that do not so qualify. The EC’s motivation behind promulgating the GI Regulation is the strong belief that producers of products accorded GI protection fare much better in the marketplace than producers of products not accorded GI protection, and that restrictions on access to GI status and the provision of EC-wide protection for those GIs will enhance this profitability. So, it is flatly inconsistent with Article III:4 to make this favorable GI status available under the GI Regulation to products of EC origin if those products meet certain requirements and specifications, but to make it unavailable to products of other WTO Members unless additional requirements are met: i.e., unless those Members can prove to the satisfaction of the EC Commission that they (1) have a GI system that is equivalent to the EC’s; (2) provide reciprocal GI protection to EC products, and (3) are willing and able to intervene at the EC Commission on behalf of its nationals. It is obvious from the structure and architecture of the EC GI Regulation that it treats imported products less favorably than domestic products, and that it shifts the competitive conditions dramatically in favor of EC products.

98. The paragraphs that follow will establish that each of the elements of an Article III.4 violation is met.

a. The imported and domestic products are “like”

99. Both the Appellate Body and panels have been clear that, where there is a general measure of general application (i.e., not directly regulating specific products), the issue with respect to “like product” is not whether particular traded products are “like”, but rather whether the measures makes distinctions between products based solely on origin. As the Appellate Body has noted, the term “like product” in Article III:4 of the GATT 1994 “is concerned with competitive relationships between and among products.” The issue is whether

82 Appellate Body Report, Korea – Beef, para. 135, quoting Japan – Alcohol, pp. 16 - 17.
83 Preamble, GI Regulation.
84 See Panel Report, U.S. – FSC (Article 21.5 – EC), paras. 8.133 (Finding it unnecessary “to demonstrate the existence of actually traded like products in order to establish a violation of Article III:4” when a measure makes distinctions “between imported and domestic products” that are “solely and explicitly based on origin.” See also Panel Report, India – Autos, para 7.174 (when origin is “the sole criterion distinguishing the products, it is correct to treat such products as like products within the meaning of Article III:4.”)
85 Appellate Body Report, EC – Asbestos, para. 103. See also discussion of Alcohol disputes in section IV.A.1.b.ii(2) above.
any formal differentiation in treatment between an imported and a domestic product could be based upon the fact that the products are different – i.e., not like – rather than on the origin of the products involved.\footnote{86}

100. In the case of the GI Regulation, the only difference between the products that may benefit from GI registration and protection – products from the EC – and those that may not so benefit on similarly favorable terms – products from other WTO Members – is their origin. Consequently, it is clear that the EC agricultural products and foodstuffs that are eligible for GI registration under one set of criteria and the non-EC agricultural products and foodstuffs that are only eligible if they satisfy an additional set of criteria are like products for purposes of Article III:4.

b. The GI Regulation affects the “internal sale, offering for sale, purchase, transportation, distribution or use” of the imported product

101. Under Article III:4, Members have a national treatment obligation “with respect to all laws, regulations and requirements affecting the internal sale, offering for sale, purchase, transportation, distribution or use” of imported products of the territory of any other Member. This is a broad formulation, and a number of GATT and WTO dispute settlement reports have noted that the term “affecting” goes beyond measures that “directly” govern the conditions of sale or purchase, so as to cover measures which might “adversely modify the conditions of competition between domestic and imported products.”\footnote{87}

102. The GI Regulation does exactly this. As discussed more fully in the “Facts” section III and in section IV.A.1.b above, the GI Regulation governs the manner in which registered names can be used – and not used – on products that are sold, offered for sale, purchased, distributed or used. It governs the use of the special EC GI symbol, or logo, on labels, packaging and advertising for certain products, throughout the EC marketplace that, according to the EC, provides consumer with a guarantee of quality and geographical origin with respect to those

\footnote{87} Eg., Panel Report, \textit{India – Autos}, para. 7.196 (“Under GATT and WTO jurisprudence, the term ‘affecting’ has consistently been defined broadly. In particular, it has been well established that it implies a measure that has ‘an effect on’ and this indicates a broad scope of application” \textit{(citing to Italy – Agricultural Machinery, BISD 7S/60, para. 12.) See also Panel Report, \textit{Canada – Autos}, para. 10.80 (This term therefore goes beyond laws and regulations which \textit{directly} govern the conditions of sale or purchase to cover also ‘any laws or regulations which might adversely modify the conditions of competition between domestic and imported products.’); Panel Report, \textit{U.S. – FSC (Article 21.5 – EC)}, at paras 8.139, 8.144 (“We agree with the views expressed in previous GATT and WTO panel reports that Article III:4 applies also to measures in the form of conditions that must be satisfied in order to obtain an ‘advantage’ from the government . . . Furthermore, the terms ‘law, regulation or requirement affecting . . .’ in Article III:4 are general terms that have been interpreted as having a broad scope” [footnotes omitted].) Indeed, in \textit{U.S. – Section 337}, the panel found that a law enforcing intellectual property rights with respect to imported products was a measure “affecting” internal sale of imported products.}
products, and provides the EC producer increased profits and market share. It allows the products that qualify for the registered GI name numerous and very broad protections against other competitive and disparaging uses of the GI associated with the product, including protection by government authorities on their own initiative, as well as protection requested by private parties. And it provides protection against the geographical indication of the product becoming generic. The GI Regulation is, therefore, a law or regulation “affecting [the] internal sale, offering for sale, purchase, transportation, distribution or use” of imported products.

**c. The imported product is accorded “less favorable treatment” than the domestic like product**

103. The Appellate Body has stated that “[t]he term ‘less favorable treatment’ expresses the general principle, in Article III:1, that internal regulations ‘should not be applied . . . so as to afford protection to domestic production.’ If there is ‘less favourable treatment’ of the group of ‘like’ imported products, there is, conversely, ‘protection’ of the group of ‘like’ domestic products.”

104. It could not be clearer that the EC GI Regulation accords imported products less favorable treatment than domestic products. Agricultural products and foodstuffs from another WTO Member will not be accorded the same favorable treatment under the GI Regulation as like products from the EC:

(a) unless that WTO Member has an internal system of GI protection that is equivalent to that in the EC;

(b) unless that WTO Member is prepared to offer reciprocity of GI protection to EC agricultural products and foodstuffs;

(c) unless a WTO Member is prepared itself to apply to the EC for an affirmative decision with respect to the above points; and

(d) unless, with respect to a particular application for a GI, that WTO Member is willing and able to submit an application to the EC on behalf of its national, certifying to the presence of EC-equivalent and mandated inspection structures and other requirements.

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88 Preamble of the GI Regulation; Regulation 2037/93 (Exhibit COMP-2.a).
89 Article 13(1) of the GI Regulation.
90 Article 13(3) of the GI Regulation.
91 Appellate Body Report, EC – Asbestos, para 100.
105. Imposing these requirements as a condition of according imported products as favorable treatment as domestic like products is contrary to the Article III:4 national treatment obligation, which requires that such treatment be accorded unconditionally. Further, for imported products from WTO Members whose system of GI protection does not match that of the EC and which cannot meet the EC’s requirements with respect to reciprocity, among other requirements, the less favorable treatment is obvious, and has been discussed in detail above. To summarize, even where such products produced outside the EC qualify as GIs under the definition provided in the GI Regulation, because of their reputation or other characteristics, they cannot, unlike their “like” counterparts produced in the EC:

(a) be registered in the official EC-wide “Register of protected designations of origin and protected geographical indications”;  
(b) use a registered geographical indication throughout the EC market;  
(c) include on the packaging, label, or advertising the official EC “symbol” or “logo” informing the consumer that the product is a registered GI;  
(d) receive the broad protections throughout the EC provided to registered products, both on the government’s own initiative and through private rights of action, against an extremely broad range of competing and disparaging uses; or  
(e) be protected from having their geographic name become generic (which causes the geographical indication to lose its value).

106. Further, even where the EC does permit imported products to be registered and protected, that imported product is still faced with treatment that is less favorable than that accorded its EC counterpart. Under Article 12(2) of the GI Regulation, a registered name can be used in connection with imported products “only if the country of origin of the product is clearly and

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92 See, e.g., Belgian Family Allowances, in which a Belgian provision exempting from certain charges products from countries requiring family allowance benefits was found inconsistent with MFN (and likely) national treatment obligations.
93 Articles 6(1) - 6(4) of the GI Regulation.
94 Article 4(1) of the GI Regulation.
95 Article 5a of Regulation 2037/93. Exhibit COMP-2.a. As Annex II of this regulation explains, “[t]he logo will allow producers of food products to increase awareness of their products among consumers in the European Union. . . The presence of this logo is a genuine guarantee for all European consumers, making it clear that the special nature of this product lies in its geographical origin. Because of this, products will inspire more confidence. As producers, the logo provides you which [sic] a marketing tool. You will be able to put the logo on the labels or packaging of your products, and also use it in your advertising.” (Emphasis added.)
96 Article 13 of the GI Regulation.
97 Article 13(3) of the GI Regulation.
visibly indicated on the label.” There is no such requirement with respect to the use of name on a product of EC-origin.

107. In sum, the EC GI Regulation accords less favorable treatment to imported products than it does to like products of national origin in respect of laws, regulations and requirements affecting their internal sale, offering for sale, purchase, transportation, distribution, or use. Consequently, it is inconsistent with EC’s obligations under Article III:4 of the GATT 1994. Nor can this less favorable treatment for imported products be justified under any of the exceptions provided under Article XX of the GATT 1994.

B. The EC’s GI Regulation is inconsistent with the EC’s obligations to provide most favored nation treatment

108. Just as was the case with respect to national treatment, the EC GI Regulation is also inconsistent with two different most-favored-nation obligations under the WTO Agreements, the first with respect to nationals of WTO Members under Article 4 of the TRIPS Agreement, and the second with respect to the products of other WTO Members, under Article I:1 of the GATT 1994. This section addresses each of these inconsistencies separately below. Section B.1 immediately below addresses the GI Regulation’s inconsistencies with the MFN obligations of the TRIPS Agreement. Section B.2 then addresses the GI Regulation’s inconsistencies with the MFN obligations of the GATT 1994.

1. The EC GI Regulations is inconsistent with the EC’s most favored nation obligations with respect to other WTO Member’s nationals under the TRIPS Agreement

   a. The TRIPS Agreement requires that any advantage, favor, privilege or immunity granted to nationals of any other country be accorded immediately and unconditionally to the nationals of all other WTO Members

109. As the Appellate Body recently confirmed, the most favored nation obligation is as significant and as fundamental to the world trading system as the national treatment obligation:

   Like the national treatment obligation, the obligation to provide most-favoured-nation treatment has long been one of the cornerstones of the world trading system. For more than fifty years, the obligation to provide most-favoured nation treatment in Article I of the GATT 1994 has been both central and essential to assuring the success of a global rules-based system for trade in goods. Unlike the national treatment principle, there is no provision in the Paris Convention (1967) that establishes a most-favoured-nation obligation with respect to rights in trademarks or other industrial property. However, the framers of the TRIPS Agreement decided to extend the most-favoured nation obligation to the
protection of intellectual property rights covered by the Agreement. As a cornerstone of the world trading system, the most-favoured-nation obligation must be accorded the same significance with respect to intellectual property rights under the TRIPS Agreement that it has long been accorded with respect to trade in goods under the GATT. It is, in a word, fundamental.\(^98\)

110. Indeed, the MFN obligation is, if anything, even more explicit in its rejection of conditions such as reciprocity and equivalent internal systems than is the national treatment obligation.

111. Article 4 of the TRIPS Agreement, the MFN obligation, provides that:

> With regard to the protection of intellectual property, any advantage, favour, privilege or immunity granted by a Member to the nationals of any other country shall be accorded immediately and unconditionally to the nationals of all other Members.

112. The phrase “with regard to the protection of intellectual property” is the same phrase as appears in the national treatment obligation, and refers, \textit{inter alia}, to the rights of nationals in matters pertaining to the availability, acquisition, scope, maintenance, and enforcement of rights in their geographical indications, as well as those matters affecting the use of geographical indications addressed in the TRIPS Agreement, \textit{i.e.}, with respect to their ability to protect their geographical indications from misleading uses and unfair acts of competition. The strong language that all advantages must be accorded “immediately and unconditionally to nationals of all other Members” emphasizes that this MFN provision prohibits making the availability, acquisition, maintenance, and enforcement of these rights to nationals of other Members contingent on (a) “reciprocity” by other Members \textit{vis-à-vis} EC nationals; or on (b) the other Members having a particular system of protection themselves.

113. The context of these terms confirms this reading. Within the framework that establishes strong MFN obligations for the protection of intellectual property, Article 4 also sets forth a limited number of particular advantages, favors, privileges, or immunities, which, may, extraordinarily, be exempted from this obligation. Notably, Article 4(b) specifically exempts from this obligation any advantage, favor, privilege or immunity granted in accordance with the \textit{Berne Convention for the Protection of Literary and Artistic Works (1971)} and the \textit{International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (1961)} (“Rome Convention”) that authorize a Member to depart from the general national treatment rule under those conventions. Certain provisions of these copyright and related right conventions permit that treatment accorded nationals be a function not of national treatment, but of the treatment accorded in another country – \textit{i.e.}, that a Member may in specific

cases make the extent of protection for copyrighted works or the subject matter of related rights depend on the country of origin of the work, instead of granting the same extent of protection to all nationals. Other specific exemptions from the MFN obligation, particularly in the area of copyright and related rights, are laid out in Article 4. 99

114. By contrast, there is no exemption for advantage, favors, privileges, or immunities granted with respect to rights in geographical indications. The context of the terms in Article 4 therefore confirms that “reciprocity” is clearly prohibited with respect to GIs.

115. Further, adopted dispute settlement reports under Article I of the GATT 1994 (MFN in the goods context) provide guidance with respect to this obligation. The GATT panel in Belgian Family Allowances found a violation of Article I:1 based on Belgium’s measure conditioning a benefit to imported goods – in that case, an exemption from a levy collected on purchases of products – on the adoption by the exporting Member of a system requiring companies to provide family allowance benefits to its employees that meets specific requirements. 100 The panel found that the exemption was inconsistent with Article I (and possibly Article III) because “it introduced a discrimination between countries having a given system of family allowances and those which had a different system or no system at all, and made the granting of the exemption dependent on certain conditions.” 101

116. In sum, the immediate and unconditional requirement in the MFN obligation to accord the same advantages, privileges, favors, or immunities to all nationals of WTO Members with respect to GIs does not permit Members to condition those advantages on an individual Member having a particular protection system or being prepared to offer reciprocity.

b. The EC GI Regulation grants significant advantages, favors, privileges, and immunities to nationals of some countries that it does not accord at all to nationals of WTO Members

117. As discussed above with respect to national treatment, the EC GI Regulation grants numerous and significant advantages, favors, privileges, and immunities to the nationals of any third country with respect to their home-based GIs, as long as that country (a) has a GI protection system equivalent to that of the EC; and (b) provides protection to EC nationals that is equivalent to that available in the EC with respect to agricultural products and foodstuffs. Further, these advantages, favors, privileges, and immunities are available only if that third country is willing and able to convince the EC that it satisfies the EC’s requirements with respect to the protection of GIs, and, with respect to applications for the registration of GIs, is willing

99 See also Gervais, pp. 105 - 110.
100 Belgian Family Allowances, paras. 3, 8.
101 Belgian Family Allowances, paras. 3, 8.
and able to advocate on behalf of its national vis-à-vis the EC.\textsuperscript{102} None of these advantages, favors, privileges, or immunities are available to nationals producing in their country of nationality, where that country is not willing or able to satisfy these requirements.

118. Consequently, the EC GI Regulation is inconsistent with the most-favored-nation obligation of the TRIPS Agreement for the same reasons that it is inconsistent with the national treatment obligation of the TRIPS Agreement. With respect to the registration and EC-wide protection of GIs, as well as the right to object to the registration of GIs, the GI Regulation conditions the protection of intellectual property rights for a WTO Member’s nationals on equivalency and reciprocity, and it imposes additional hurdles on nationals of some WTO Members that are not imposed on Members of other WTO Member nationals. With respect to the latter point, a national from a WTO Member that already has in place a system of GI protection that is equivalent to the EC’s system – recall, however, that there are many ways of implementing GI obligations, including that used by the EC – is not faced with the hurdle of developing a new GI protection system. A national from other WTO Members, such as the United States, by contrast, faces this considerable hurdle.\textsuperscript{103}

119. Indeed, the GI Regulation is inconsistent with the MFN obligations of the TRIPS Agreement in two respects. First, as among non-EC WTO Members, nationals from WTO Members that satisfy the EC’s conditions of reciprocity and equivalency are accorded more favorable treatment than nationals from those WTO Members that do not. In this connection, for example, the EU has signed a joint declaration on the protection of geographical indications and designations of origin of agricultural products and foodstuffs with Switzerland, which states that:

The European Community and Switzerland (hereinafter referred to as “the Parties”) hereby agree that the mutual protection of designations of origin (PDOs) and geographical indications (PGIs) is essential for the liberalization of trade in agricultural products and foodstuffs between the Parties . . . The Parties shall provide for provisions on the mutual protection of PDOs and PGIs to be incorporated in the Agreement on trade in agricultural products on the basis of equivalent legislation, as regards both the conditions governing the registration of PDOs and PGIs and the arrangements on controls.\textsuperscript{104}

\textsuperscript{102} The actions required of WTO Members with respect to GI applications and objections are detailed in the discussion on national treatment, and will not be repeated here.

\textsuperscript{103} In U.S. – Section 211, para. 314, the Appellate Body incorporated and applied the “additional hurdle” analysis used in analyzing the national treatment claim in its analysis of the MFN claim.

120. Nationals of a WTO Member that does not meet the EC’s conditions, by contrast, cannot expect to have their home-based GIs registered and protected.

121. Second, each of the EC member States is also a WTO Member. Therefore, under Article 4 of the TRIPS Agreement, any advantage, favor, privilege, or immunity granted by an EC member State to a national of another EC member State must be accorded immediately and unconditionally to the nationals of all non-EC WTO Members. Yet, under the GI Regulation, for all of the reasons described in the section of this submission on national treatment, an EC member State grants more favorable treatment to nationals from other EC member States than it accords to nationals from non-EC WTO Members, with respect to the protection of GIs.

122. In sum, in these two respects, the GI Regulation accords advantages, favors, privileges, and immunities to nationals of some countries that it does not accord to nationals of other WTO Members, despite the Article 4 requirement to accord them “immediately and unconditionally to the nationals of all other Members.”

2. The EC GI Regulation is inconsistent with the EC’s most favored nation obligations with respect to goods of other WTO Members under the GATT 1994

   a. Article I:1 of the GATT 1994 requires that any advantage, favor, privilege, or immunity granted to any product originating in any other country be accorded immediately and unconditionally to the like product originating in the territories of all other WTO Members.

123. Article I:1 of the GATT 1994 provides that:

   with respect to all matters referred to in paragraphs 2 and 4 of Article III, any advantage, favour, privilege or immunity granted by any contracting party to any product originating in or destined for any other country shall be accorded immediately and unconditionally to the like products originating in or destined for the territories of all other contracting parties.105

124. “Matters referred to in paragraphs 2 and 4 of Article III” include, with respect to imported products, “laws, regulations, and requirements affecting their internal sale, offering for sale, purchase, transportation, distribution or use.” As discussed above in the context of national treatment, the GI Regulation is such a measure.

105 Reference to Notes and Supplementary Provisions in Annex I omitted.
125. Further, the “like products” requirement is satisfied in the case of the EC GI Regulation, because, as discussed in the context of national treatment, the GI Regulation makes distinctions based solely on the origin of the product.

126. Therefore, Article I:1 of the GATT 1994 requires that any advantage, favor, privilege, or immunity granted by the EC GI Regulation to agricultural products and foodstuffs originating in any country be accorded, immediately and unconditionally to the agricultural products and foodstuffs originating in the territories of all other WTO Members.

b. The EC GI Regulation grants significant advantages, favors, privileges, and immunities to agricultural products and foodstuffs originating in some countries that it does not accord to like products originating in the territories of all WTO Members

127. The EC GI Regulation does not satisfy the requirements of Article I:1 of the GATT 1994. Rather, the Regulation grants significant advantages, favors, privileges and immunities to products from a third country only if that country (a) has a GI protection system equivalent to that of the EC and (b) provides protection to EC nationals that is equivalent to that available in the EC with respect to agricultural products and foodstuffs. These significant advantages, favors, privileges, and immunities have been detailed elsewhere, and include the ability to be marketed as a quality product of identifiable geographic origin, the right to be marketed with a coveted EC GI symbol, protection, including at the authorities’ own initiative, against a broad range of competing uses of the product’s geographical indication, and protection against the geographic indication becoming generic (and thus losing its value). These are all advantages, favors, privileges, and immunities that are granted to the products of third countries that meet the conditions of reciprocity and equivalent GI systems, as determined by the EC. The Regulation does not accord these advantages, favors, privileges, and immunities to the products of any third country that does not meet these conditions, despite the Article I:1 requirement to accord them “immediately and unconditionally to the nationals of all other Members.” Rather, it accords them to imported goods “subject to conditions with respect to the situation or conduct of”106 WTO Members, discriminating against like products based on the origin of the product. Further, it imposes an “extra hurdle” on imported goods from some WTO Members that it does not impose on imported goods from other WTO Members, as detailed in the preceding sections.

128. This conclusion is in accord with GATT and WTO dispute settlement reports going back to the earliest days of the GATT. A GATT panel in Belgian Family Allowances found a violation of Article I:1 based on an exemption from a fee that was available only with respect to products from countries that required its companies to offer a specific family allowance benefit

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106 Panel Report, Canada – Autos, para. 10.23.
that satisfied requirements of Belgian law. That panel found that the fee exemption “would have to be granted unconditionally to all other contracting parties.”

The consistency or otherwise of the system of family allowances in force in the territory of a given contracting party with the requirements of the Belgian law would be irrelevant in this respect, and the Belgian legislation would have to be amended insofar as it introduced a discrimination between countries having a given system of family allowances and those which had a different system or no system at all, and made the granting of the exemption dependent on certain conditions.

Similarly, in this dispute, the GI Regulation “introduce[s] a discrimination between countries having a given system of [GI protection] and those which ha[ve] a different system.” Consequently, for all of the reasons above, the GI Regulation is inconsistent with Article I:1 of the GATT 1994. Further, this discrimination is not excused by any of the exceptions under Article XX of the GATT 1994.

**C. The EC GI Regulation is inconsistent with the EC’s obligations under Article 16.1 of the TRIPS Agreement**

1. **Introduction**

130. Article 16.1 of the TRIPS Agreement requires Members to give owners of registered trademarks the exclusive right to prevent confusing uses of similar or identical signs by all third parties:

The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner’s consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed.

131. Contrary to this obligation, and as explained in detail below, the EC GI Regulation fails to provide the owner of a valid prior registered trademark with the exclusive right to prevent all third parties (including those entitled to use a registered GI) from using identical or similar signs
In fact, even in a case where the GI is presented as a sign that is identical to a registered trademark and is being used for an identical good (where, under the TRIPS Agreement, a likelihood of confusion is presumed), under the GI Regulation, the owner of the registered trademark is powerless to prevent that sign from being used in the course of trade.

Moreover, they both may take a similar physical form, prominently displayed on labels and in advertising materials. On the one hand, trademarks indicate the source of goods as a particular undertaking (e.g., a producer or group of producers). On the other hand, geographical indications indicate the source of the goods as a particular geographic area, where a quality, reputation, or other characteristic of the good is essentially attributable to that origin. Both forms of intellectual property are aimed at distinguishing goods so that the consumer can make informed judgments about the goods they buy.

In addition, the TRIPS Agreement bestows each with a certain degree of exclusivity. Both trademark owners and GI owners have the right to exclude others from certain uses of signs or indications. The right for trademark owners under Article 16.1 of the TRIPS Agreement is the right to exclude all others (including those entitled to use a registered GI) from using identical or similar signs (including GIs) for the same or similar goods in a way that results in a likelihood of confusion as to the source of the goods. Under Article 22.2 of the TRIPS Agreement, the right for GI owners is to prevent uses (including of trademarks) that mislead the consumer as to the geographic origin of the goods or constitute an act of unfair competition.

In many ways, GIs and trademarks serve the same function, in that they both are “source” indicators and can therefore serve as indicators of quality. They both aim to prevent consumers from being misled or confused as to whether the goods they buy possess the anticipated qualities and characteristics. Moreover, they both may take a similar physical form, prominently displayed on labels and in advertising materials. On the one hand, trademarks indicate the source of goods as a particular undertaking (e.g., a producer or group of producers). On the other hand, geographical indications indicate the source of the goods as a particular geographic area, where a quality, reputation, or other characteristic of the good is essentially attributable to that origin. Both forms of intellectual property are aimed at distinguishing goods so that the consumer can make informed judgments about the goods they buy.

In addition, Article 22.3 of the TRIPS Agreement provides that Members must refuse or invalidate the registration of a trademark consisting of a GI that misleads the public as to the true origin of the product. Note also that Article 23.2 of the TRIPS Agreement provides for the refusal or invalidation of certain trademarks for wine and spirits that contain or consist of a geographical indication. Since the GI Regulation does not apply to wine and spirits, however, this provision is not directly relevant to this dispute.
There is nothing inconsistent in these two obligations, and each should be given its full scope in a manner that does not bring them into conflict.\footnote{As recognized by the panel in \textit{Indonesia – Autos}, para 14.28, “in public international law there is a presumption against conflict,” which “is especially relevant in the WTO context since all WTO agreements . . . were negotiated at the same time, by the same Members and in the same forum.” Footnotes omitted. Of course individual GIs that are identical or similar to trademarks may, however, “conflict” in the sense that the GI may be confusing consumers.}

134. With the distinctions and similarities between these two categories of intellectual property rights in mind, the United States argues in this dispute that the EC GI Regulation is inconsistent with Article 16.1 of the TRIPS Agreement because, under the EC GI Regulation, owners of prior registered trademarks cannot prevent all third parties from using identical or similar signs on the same or similar goods for which the trademark is registered, even where there is a likelihood that the consumer will be confused. Under Article 14(2) of the GI Regulation, the best that the owner of a valid prior registered trademark can hope for is the ability to continue using its trademark, but without the ability to exercise the exclusive right that lies at the heart of his trademark right. This is inconsistent with Article 16.1 of the TRIPS Agreement.

135. The United States is concerned in this dispute with the trademark rights provided owners of valid prior trademarks under Article 16.1 of the TRIPS Agreement. For example, as stated at the outset of this submission, under Article 16.1, the owner of a registered trademark has to be able to take action against another producer selling an identical product, labeled with an identical name (protected as a geographical indication after the trademark registration), on the same shelf as the trademark owner’s trademarked product. The GI Regulation does not allow him to do this. 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.\footnote{See Article 22.3 of the TRIPS Agreement. Further, under Article 22.2 of the TRIPS Agreement, with respect to GIs, interested parties must be provided the legal means to prevent uses that mislead the public as to the geographical origin of the good.} Rather, the U.S. argument is narrow in focus, but critical: where a valid prior registered trademark exists, the owner of that trademark must, under Article 16.1, be able, through judicial proceedings or otherwise, to prevent all third parties from using a GI when the trademark owner can demonstrate that the GI is identical or similar to the trademark for identical or similar goods, and is used in a manner that is likely to confuse the consumer as to the source of the goods. As discussed below, the EC GI Regulation is inconsistent with this obligation.

136. In section 3 below, the United States describes the obligation to provide an exclusive right to prevent confusing uses under Article 16.1 of the TRIPS Agreement and explains why the exclusive right to prevent confusing uses is the essence of the trademark rights under the TRIPS Agreement. Section 4 then describes how the EC GI Regulation is inconsistent with this Article 16.1 obligation.
3. **Article 16.1 of the TRIPS Agreement** requires Members to provide the owners of registered trademarks with the exclusive right to prevent all third parties from using identical or similar signs resulting in a likelihood of confusion

a. **Ordinary meaning of the terms in Article 16.1**

137. Article 16.1 provides that:

> The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner’s consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed.\(^{116}\)

138. The ordinary meaning of the terms in Article 16.1 confirms the breadth and strength of the rights that must be accorded owners of registered trademarks. “Prevent” means to “[s]top, hinder, avoid”, and “[c]ause to be unable to do . . . something.”\(^{117}\) “All” means the “entire number of” and “without exception”.\(^{118}\) “Exclusive” means “[n]ot admitting of the simultaneous existence of something; incompatible” and “[o]f a right, privilege, quality, etc.; possessed or enjoyed by the individual(s) specified and no others.”\(^{119}\)

139. Further, the ordinary meaning of Article 16.1 shows that geographical indications are included among the “signs” whose use an owner of a registered trademark must be able to prevent. “Sign” has a broad meaning, as indicated in Article 15.1 of the TRIPS Agreement, which includes as particular examples of signs “words, including personal names, letters, numerals, figurative elements, and combinations of colours.” The ordinary meaning of “sign” confirms this broad meaning: a “mark, symbol or device used to represent something or distinguish the object on which it is put”; “an indication or suggestion of a present state, fact, quality, etc.”\(^{120}\) Similarly, “indication”, which is part of the TRIPS Agreement Article 22.1 definition of “geographical indication” is “something that indicates or suggests; a sign, a symptom, a hint.”\(^{121}\) In short, the fact that “sign” is a broad term, and specifically includes an “indication”, along with the fact that the ordinary meaning of “indication” includes a “sign”,

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\(^{116}\) Emphasis added.


confirms that geographical indications are signs, the confusing use of which owners of registered trademarks must be able to prevent under Article 16.1.\footnote{Notwithstanding the GI Regulation, the EC’s own Community Trademark Regulation reflects this. Article 4 of that regulation defines a trademark to “consist of any signs” and the preamble states that the function of a trademark is to “guarantee the trade mark as an indication of origin.” Council Regulation (EC) No. 40/94 of 20 December 1993 on the Community Trademark, OJ L 11, January 14, 1994, p. 1 (“Regulation 40/94 on the Community Trademark”). See also Article 2 of the First Council Directive of 21 December 1988 to approximate the laws of the Member States relating to registered trademarks (89/104/EEC), OJ L 40, February 2, 1989, p. 1. Exhibits COMP-6 and COMP-7.a.}

140. The ordinary meaning of the terms in Article 16.1, therefore, confirms that the owner of a registered trademark must, under Article 16.1, have the exclusive right to stop

\textit{all} third parties (\textit{i.e.}, the entire number of third parties, without exception, including third parties producing products that use a GI),

from using in the course of trade \textit{identical or similar signs} (\textit{i.e.}, including identical or similar geographical indications, that is, “indications” that identify a good as originating in a particular geographic area where “a given quality, reputation, or other characteristic of [that] good is essentially attributable to “ that geographic area) for goods or services which are identical or similar to those in respect of which the trademark is registered,

where such use would result in a likelihood of confusion.

\textbf{b. The context of the terms in Article 16.1}

141. The context of Article 16.1 confirms the ordinary meaning of these terms. Where there is a need to clarify the relationship among individual rights in geographical indications and trademarks, the TRIPS Agreement does so explicitly. For instance, Article 22.3 of the TRIPS Agreement provides that protection of a geographical indication requires that a Member “refuse or invalidate the registration of a trademark” in certain specific instances where the trademark consists of or includes a geographical indication and its use would mislead the consumer as to the origin of the goods.\footnote{Article 22.3 of the TRIPS Agreement requires the refusal or invalidation of a trademark registration “which contains or consists of a geographical indication with respect to goods not originating in the territory indicated, if use of the indication in the trademark for such goods in that Member is of such a nature as to mislead the public as to the true place of origin.” This reflects principles that were already included in the domestic trademark law of WTO Members. See, e.g., Regulation 40/94 on the Community Trademark, Article 7(1)(g) (“The following shall not be registered: . . . trademarks which are of such a nature as to deceive the public, for instance as to the . . . geographical origin of the goods or services”) (Exhibit COMP-7.a); First Council Directive 89/104/EEC Article 3(1)(g) (“The following shall not be registered or if registered shall be liable to be declared invalid: . . . trademarks which are such a nature as to deceive the public, for instance as to the . . . geographical origin of the goods or services.”) (Exhibit COMP-6). The principle these provisions reflect is not a superiority of geographical indications over trademarks, but a desire to protect the public or consumers from being misled.}
142. The Appellate Body has made clear, e.g., in EC – Sardines, that any exception to an obligation must be explicitly set out in the text of the Agreement.\textsuperscript{124} Indeed, where the TRIPS Agreement negotiators meant to specify an exception to, or a limit on, geographical indication and trademark rights, they did so explicitly. Article 24.5, for example, is an exception to the protection of geographical indications\textsuperscript{125} that specifies that a Member’s measures to protect geographical indications under the TRIPS Agreement shall not prejudice eligibility for or the validity of the registration of a trademark, or the right to use a trademark. It applies to trademarks that were applied for or registered, or whose rights have been acquired through use either before January 1, 1996,\textsuperscript{126} or before the geographical indication is protected in its country of origin. In other words, where implementation of the GI provisions of the TRIPS Agreement might otherwise have prejudiced “eligibility for or the validity of the registration . . . or the right to use a trademark” – and Article 23.2, which requires the invalidation of wine and spirit trademark registrations that contain or consist of wine or spirit GIs, might be an example of such a case – Article 24.5 would prevent that result for, or would “grandfather”, those trademarks covered by its terms.

143. Similarly, when a conflict between rights to exclude must result in a compromise, the TRIPS Agreement negotiators were also careful to spell this out. For instance, because GIs are a specific type of sign linked to geographic origin, the TRIPS Agreement contemplates some instances where two identically named places exist and therefore where two similar geographical indications may be used simultaneously under conditions set by the Members. Article 23.3 of the TRIPS Agreement provides for the situation where two different GIs for wine have the same name: “homonymous geographical indications”. Article 23.3 provides that “protection shall be accorded to each indication”, but that “[e]ach Member shall determine the practical conditions under which the homonymous indications in question will be differentiated from each other, taking into account the need to ensure equitable treatment of the producers concerned and that consumers are not misled.” No such provision exists allowing Members to permit continued use of a GI that is identical or similar to a valid prior registered trademark that would result in a likelihood of confusion, in the face of an infringement challenge by the trademark owner.

\textsuperscript{124} Appellate Body Report, EC – Sardines, paras. 201 - 208.

\textsuperscript{125} Article 24, in section 3 of the TRIPS Agreement – “Geographical Indications” – is entitled “International Negotiations; Exceptions”. It should be noted here that Article 17 of the TRIPS Agreement contains a general provision that permits Members to provide “limited exceptions” to the rights conferred by a trademark, such as fair use of descriptive terms, but any such limited exceptions “must take account of the legitimate interests of the owner of the trademark and of third parties.” The EC GI Regulation does not qualify as a “limited” exception, because there is no limit placed on the permitted uses of registered GIs that are identical or similar to prior valid registered trademarks. Further, the GI Regulation does not take into account the legitimate interest of the trademark owner.

\textsuperscript{126} Article 24.5 specifies the date of application of the TRIPS Agreement provisions, which, for the European Communities, is January 1, 1996.
144. In sum, the ordinary meaning of the terms in Article 16.1, confirmed by their context, demonstrates that owners of registered trademarks must be given the exclusive right to prevent all third parties, including those authorized to use GIs, from using in the course of trade similar or identical signs, including geographical indications, for goods or services that are identical or similar to those covered by the trademark registration, where such use would result in a likelihood of confusion.

c. The object and purpose of the TRIPS Agreement with respect to Article 16.1

145. Further, Article 16.1 must also be read in light of the object and purpose of the TRIPS Agreement, and specifically with respect to Article 16.1 and its grant of exclusive rights. The Appellate Body in U.S. – Section 211 emphasized the importance of the exclusive nature of these rights, finding that Article 16.1 confers on the owner of “registered trademarks an internationally agreed minimum level of ‘exclusive rights’ that all WTO Members must guarantee in their domestic legislation”, and that these exclusive rights “protect the owner against infringement of the registered trademark by unauthorized third parties.”

146. Indeed, EC jurisprudence, like that of the United States, recognizes that trademark exclusivity – the right of the owner of a registered trademark to prevent the use of a similar or identical sign that would result in a likelihood of confusion – is the core of a trademark right. For example, Advocate General Jacobs of the European Court of Justice stated in the Hag-II case that:

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

147. These principles have been consistently followed by the European Court of Justice, which held, for instance, in Bristol-Myers Squibb v. Paranova A/S, that:

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

As the Court has recognized on many occasions, the specific subject matter of a trademark is in particular to guarantee to the owner that he has the exclusive right to use that trademark…

148. As detailed below, the GI Regulation is an abrupt deviation from this jurisprudence in the EC. Maintenance of the principle underlying this jurisprudence would benefit nationals of all WTO members that are trademark owners in the EC – including nationals of the EC.

149. That the exclusivity of a trademark owner’s right is the core of trademark rights has similarly been emphasized by the U.S. Supreme Court. The Court held in 1916 that “the right to use a trademark is recognized as a kind of property, of which the owner is entitled to the exclusive enjoyment to the extent that it has actually been used.” That early judgment was fully endorsed in the 1999 decision in College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board, in which the Court stated that “[t]he hallmark of a protected property interest is the right to exclude others. That is one of the most essential sticks in the bundle of rights that are commonly characterized as property.”

150. In sum, Article 16.1 enshrines a principle of trademark protection recognized in the jurisprudence of both the United States and the EC, and imposes an obligation on Members that reflects the vital importance to trademark owners of exclusivity in the use of their trademarks.

d. Conclusion with respect to the meaning of Article 16.1

151. In light of the clear obligation under Article 16.1, contained in the ordinary meaning of its terms, in their context, and in light of the object and purpose of the TRIPS Agreement, it is plain that the owner of a registered trademark must be given the exclusive right to prevent all third parties, including those authorized to use GIs, from using in the course of trade similar or identical signs, including geographical indications, for goods or services that are identical or similar to those covered by the trademark registration, where such use would result in a likelihood of confusion.

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4. **Contrary to Article 16.1 of the TRIPS Agreement, the EC GI Regulation does not permit owners of registered trademarks to exercise their Article 16.1 exclusive rights to prevent confusing uses**

   a. The text of the EC GI Regulation makes clear that owners of registered trademarks are not permitted to exercise their Article 16.1 rights

152. The EC GI Regulation denies owners of registered trademarks their right under Article 16.1 of the TRIPS Agreement to prevent confusing uses of similar or identical signs.

153. Article 4(1) of the EC GI Regulation provides that an agricultural product or foodstuff that complies with the specification filed with a GI registration – and only that product – is eligible to use a protected geographical indication, *i.e.*, the name of a qualifying region, specific place, or country. Article 13 of the GI Regulation provides that names registered under that Regulation “shall be protected against” a broad range of uses or practices by those not authorized to use the name under the GI Regulation.

154. By contrast, nothing in the GI Regulation provides that the use of the GI can be limited in any way by the owner of a valid prior registered trademark who wishes to exercise his exclusive right under Article 16.1 of the TRIPS Agreement – that is, the right to prevent the use of a geographical indication in a manner that is likely to confuse the consumer as to the source of a product identified with the earlier trademark. Nor is there any discretion provided under the EC GI Regulation to prevent or limit uses of EC-registered GIs by qualified GI users, except in the case of a homonymous use.

155. To the contrary, Article 14 of the EC GI Regulation reinforces that owners of registered trademarks are denied their rights under Article 16.1 of the TRIPS Agreement. Most obvious is Article 14(2), which addresses the situation of a trademark right that predates the GI right, but where the use of the trademark creates one of the situations against which registered GI names are to be protected under Article 13 of the GI Regulation – *e.g.*, the prior registered trademark “evokes” the later-registered GI name, in the terminology of Article 13. Under Article 16.1 of the TRIPS Agreement, if the use of the later GI in connection with identical or similar goods is likely to confuse the consumer as to the producer of the goods, then the owner of the registered trademark should have the exclusive right to prevent that confusing use by the GI owner. The EC GI Regulation should reflect this.

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132 Article 2.2(b) of the GI Regulation (definition of “geographical indication”).

133 Article 6(6) of the GI Regulation.

134 Under the EC GI Regulation, this is a trademark that acquires rights (by application, registration, or, where permitted, by use) before either (1) a GI registration application has been submitted to the EC; or (2) the GI is protected in its country of origin.
156. The EC GI Regulation, however, takes a very different approach. Far from providing that the owner of a prior registered trademark has the right to prevent confusing uses, as is required by Article 16.1, the GI Regulation, as a narrow exception to the general GI right to prevent a broad range of uses, simply permits the registered trademark holder to keep using his trademark “notwithstanding” the later GI registration. To be precise, Article 14(2) provides that such a trademark that predates the GI registration “may continue to be used notwithstanding the [later] registration of a . . . geographical indication”. (Emphasis added.)

157. In other words, Article 14(2) specifically envisions that, even in cases where use of a GI raises a likelihood of confusion within the meaning of Article 16.1 of the TRIPS Agreement, the product that is marketed and labeled with that GI can be sold alongside a similar or the same product that has been marketed and labeled with an identical or similar valid prior registered trademark. The owner of the trademark will have no ability to exercise his TRIPS Agreement Article 16.1 rights to prevent any confusing use by the later-registered GI. As discussed above, however, the right to use a trademark without the right to exclude others from confusing uses would mean practically nothing, since the whole purpose and value of a trademark is to be able to distinguish one company’s goods from the goods of other companies; without the ability to stop confusing uses, this value is eliminated. As Advocate General Jacobs of the European Court of Justice wrote, a trademark’s role can be fulfilled “only 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. . . 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.”

158. Article 14(3), the sole provision in the EC GI Regulation that addresses the confusing use of registered GIs vis-à-vis trademarks, underscores the limited impact that trademarks can have on GIs under the GI Regulation. Article 14(3) provides that a GI shall not be registered “where, in the light of a trade mark’s reputation and renown and the length of time it has been used, registration is liable to mislead the consumer as to the true identity of the product.” In other words, under the EC GI Regulation, trademark rights are fully respected only where the trademark has been used for a long time, and has considerable “reputation and renown”. There is no guidance in the GI Regulation with respect to this standard.

159. The exclusive right under Article 16.1 to prevent confusing uses, however, is not limited to owners of long-standing trademarks of reputation and renown, however this is interpreted. Rather, it is an exclusive right the Members must provide to all owners of valid prior registered trademarks, regardless of time of use, or of the trademark’s reputation and renown.

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136 Emphasis added.
160. In light of the EC GI Regulation, the EC trademark rules give no comfort that trademark owners’ Article 16.1 rights will be respected. The EC trademark rules\textsuperscript{137} generally provide for the rights required by Article 16.1 of the TRIPS Agreement. However, the EC Trademark Regulation, for example – which provides for a multinational trademark right across the EC – specifically undercuts these rights with respect to confusing geographical indications by stating, at Article 142, that the Trademark Regulation “shall not affect” the EC GI Regulation (which in parallel provides for a multinational GI right across the EC), and “in particular Article 14 thereof.” Moreover, by operation of law, trademark law rights under the laws of the EC member States cannot contradict the provisions of EC regulations, including the Trademark Regulation and the GI Regulation. Article 249 of the Treaty Establishing the European Community states that a regulation “shall be binding in its entirety and directly applicable in all [m]ember States.”\textsuperscript{138} Consequently, if there is a conflict between domestic trademark law and the EC GI Regulation, the EC GI Regulation prevails.\textsuperscript{139}

161. In sum, under the EC GI Regulation, those who qualify to use a GI with respect to particular products have a right to use that GI, even if that use results in a likelihood of confusion with respect to a prior registered trademark. The best that the trademark holder can hope for, under these circumstances, is continued use of his trademark on his own goods in the course of trade. But as the jurisprudence quoted above points out, the right to use a registered trademark means nothing if the owner of that trademark cannot exercise his exclusive right to prevent the use of the same or similar signs on the same or similar goods that is likely to result in confusion. For this reason, Article 16.1 of the TRIPS Agreement requires Members to provide these exclusive rights in respect of all third parties.


\textsuperscript{139} See, e.g., Judgment of the European Court of Justice in Simmenthal II, in which the Court stated as follows:

[Int accordance with the principle of the precedence of Community law, the relationship between provisions of the Treaty and directly applicable measures of the institutions on the one hand and national law of the Member States on the other is such that those provisions and measures not only by their entry into force render automatically inapplicable any conflicting provision of current national law but - in so far as they are an integral part of, and take precedence in, the legal order applicable in the territory of each of the Member States - also preclude the valid adoption of new national legislative measures to the extent to which they would be incompatible with Community provisions.

b. The EC’s explanations of the GI Regulation and the circumstances surrounding its coming into force confirm that the GI Regulation prevents owners of registered trademarks from exercising their Article 16.1 rights

162. In various published explanations of the GI Regulation, the EC has emphasized the right of GI owners to use the GI and the fact that conflicting trademarks will only be able to be used alongside such GIs, provided that the trademarks remain valid. This confirms the above reading of the text that, under the GI Regulation, the best the trademark holder can hope for is to be able to continue to use his trademark alongside the confusing GI.

163. For instance, Advocate General Jacobs of the European Court of Justice has explained that “Article 14(2) is designed to allow a prior trademark to co-exist with a subsequently registered conflicting designation of origin provided that the trademark was registered in good faith.”\(^{140}\) Advocate General Jacobs concluded that, in light of a subsequently registered geographical indication, the “use of the name” protected by a registered trademark can “be allowed to continue pursuant to Article 14(2) of the regulation”, but only if the additional requirements of Article 14(2) have been met.\(^{141}\) In addition, a publication of the European Commission opines that the TRIPS Agreement only provides that a valid prior trademark will “exist alongside the” later-registered identical or similar geographical indication.\(^{142}\) Indeed, the EC has specifically characterized the relationship between a geographical indication and a previously registered trademark in this situation as “coexistence”, and states that “. . . the TRIPS [Agreement] . . . clearly envisages coexistence.”\(^{143}\)

164. Moreover, the EC has explained to the TRIPS Council that once a geographical indication is registered pursuant to the GI Regulation, “everybody who meets the established criteria has the right to use the geographical indication.”\(^{144}\) There was no suggestion of any limitation on that
right with respect to any prior registered trademark owners. Further, in the proposal that ultimately led to an amendment to the EC GI Regulation in April 2003,\(^\text{145}\) the Commission explained that Article 14 offers a trademark no more than the “possibility of co-existence.”\(^\text{146}\)

165. Thus, far from offering any comfort that the GI Regulation preserves Article 16.1 trademark rights, these numerous explanations confirm the opposite conclusion.

166. This conclusion is even further buttressed by the Unfortunately ill-fated attempt by the European Parliament to address the problem created by denying trademark owners their exclusive right to prevent confusing uses of signs under EC law. The Committee on Legal Affairs and the Internal Market of the European Parliament was critical of Article 14(2) of the GI Regulation for the very reasons identified in this submission: under Article 14(2), trademark owners lose their right to prevent all third parties from using a similar or identical sign that results in a likelihood of confusion. That Committee stated:

> To deprive a trademark owner of the exclusive right conferred by Community trademark law by obliging him to allow a similar designation of origin or geographical indication, such as is likely to cause confusion, to coexist with the trademark is tantamount to expropriation. Given that the regulation makes no provision to compensate trademark owners, such expropriation would constitute illegal confiscation.\(^\text{147}\)

167. The proposed amendment by the Committee on Legal Affairs would have added the following language, in relevant part, to the end of Article 14(2):

> This Regulation shall be without prejudice to the right accorded under the laws of the Member States and/or Council Regulation (EEC) No 40/94 of 20 December 1993 on the Community trade mark to bring proceedings for infringement of the right embodied in a trade mark conforming to the conditions set out in the first sentence of this paragraph on account of the use of a designation of origin or


geographical indication subsequent to that trademark, be it under the civil, administrative, or criminal law of the Member States.¹⁴⁸

168. This proposed amendment would have incorporated the substantive disciplines of EC trademark law into the GI Regulation, thereby providing for the ability of trademark owners to exercise their exclusive rights. In particular, the amendment would have provided for the rights of the owner of a valid prior registered trademark to prevent the use of a similar or identical geographical indication when such use would result in a likelihood of confusion with the trademark.

169. Unfortunately, the amendment was not adopted, and the defect in the EC GI Regulation remains in place.

5. Conclusion with respect to the GI Regulation’s inconsistency with Article 16.1

170. To conclude, TRIPS Article 16.1 requires that owners of registered trademarks have the exclusive right to prevent confusing uses by others. The EC GI Regulation does not permit owners of registered trademarks to exercise those rights. Therefore, the EC GI Regulation is inconsistent with the EC’s obligations under Article 16.1 of the TRIPS Agreement.

D. The EC GI Regulation is inconsistent with Article 22.2 of the TRIPS Agreement

171. Article 22.2 of the TRIPS Agreement requires that “[i]n respect of geographical indications, Members shall provide the legal means for interested parties to prevent:

(a) the use of any means in the designation or presentation of a good that indicates or suggests that the good in question originates in a geographic area other than the true place of origin in a manner which misleads the public as to the geographic origin of the good;

(b) any use which constitutes an act of unfair competition within the meaning of Article 10bis of the Paris Convention (1967).

172. As discussed above in the context of national treatment, Article 22.2 requires WTO Members to provide these legal means directly to all “interested parties”, a requirement that is not met by simply providing such means to WTO Members at the government-to-government level.

¹⁴⁸ Exhibit US-21, at pp. 13 - 14.
173. “Interested parties” is not defined in the TRIPS Agreement, but Article 10 of the Paris Convention, concerning false indications of geographical source, provides useful context that an “interested party” includes a producer or seller established in the region falsely indicated as the source. As discussed in the national treatment context, this includes producers or sellers in regions located outside the territory of the country where the false indication of source is being used.

174. The EC GI Regulation does not provide the legal means required by Article 22.2 to interested parties in at least two respects. First, as discussed above, interested persons with GIs outside the EC do not have the legal means to register and protect their own GIs – that is, those GIs in their country of origin – on an EC-wide basis under the GI Regulation. They therefore do not have the legal means under the GI Regulation to prevent misleading uses under Article 22.2(a) or acts of unfair competition under Article 22.2(b) of the TRIPS Agreement “[i]n respect of geographical indications.”

175. It is important to recall that Article 2(1) of the GI Regulation specifies that “Community protection of designations of origin and of geographical indications of agricultural products and foodstuffs shall be obtained in accordance with this Regulation.”149 The broad protections laid out in Article 13 of that Regulation appear to encompass those that are required by Article 22.2 of the TRIPS Agreement. And, in fact, some interested parties – those with geographical indications located in the EC – do have the legal means to protect their GIs against misleading uses and acts of unfair competition through the registration process.

176. But for interested parties with geographical indications located outside the EC, the legal means to protect their GIs on a uniform basis throughout the territory of the EC are theoretically available only if the WTO Member in which their products are produced adopts an EC-specified system of GI protection and offers reciprocal treatment to EC goods.150 With respect to interested parties in other WTO Members that do not satisfy these requirements, therefore, the EC GI Regulation fails to provide any legal means whatsoever to prevent misleading uses or unfair acts of competition on an EC-wide basis.

177. Further, even if that Member adopted the appropriate system and offered reciprocity to the EC, the interested party would continue to depend on its Member government to intercede on its behalf and consult with any affected EC member State, make a determination that the interested party’s application meets the requirements of the GI Regulation, certify to the Commission that it has the proper protection system and inspection structure in place, and transmit the application to the Commission.151 Therefore, the EC GI Regulation does not provide

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149 Emphasis added.
150 Article 12 of the GI Regulation.
151 Article 12 of the GI Regulation.
the legal means to prevent misleading uses on an EC-wide basis to “interested parties” from all WTO Members.

178. Thus, an interested party from a Member that does not have an EC-equivalent system and that does not offer reciprocity does not have the legal means required by Article 22.2 of the TRIPS Agreement. Further, there is nothing that this interested party can do to obtain the “legal means” guaranteed him under the TRIPS Agreement, because it is not in a position, either to establish a full EC-style GI system in his home country, or to provide reciprocal treatment. In addition, even if such a system were in place, the interested party would need to rely on its own government to act on an application, which that government may or may not have the infrastructure or the political inclination to do. Consequently, the GI Regulation provides a possible method – and one that is highly intrusive and costly – only for other Members to obtain Article 22.2 protection on behalf of interested parties in their territory. It does not provide those legal means directly to those interested parties, as required by Article 22.2.

179. Moreover, there is a separate and possibly more serious concern with respect to interested parties’ ability to object to the registration of GIs under the EC GI Regulation. As discussed above in the context of national treatment, the ability to object to a registration is an important element of the legal means required to prevent misleading uses and acts of unfair competition under Article 22.2 of the TRIPS Agreement. This is because once a GI is registered and protected, there appears to be no ability to prevent or limit its use through the EC, even if it is or becomes misleading or confusing. In spite of this, interested parties from third countries cannot object directly to the registration of a GI. Rather, they must request their government to do so. However, their government may or may not have the infrastructure or the inclination to present the objection to EC officials. Making the exercise of private rights contingent on actions of government entities outside the right holder’s control fails to provide legal means to exercise a private right, as required by Article 22.2 of the TRIPS Agreement.

180. Further, Article 12d limits the persons who can object to an application for registration submitted by an EC member State to persons from “a WTO member country or a third country recognized under the procedure provided for in Article 12(3)”, i.e., satisfying the conditions of equivalency and reciprocity described earlier in this submission. It appears that interested parties from WTO Members who do not satisfy the conditions of equivalency and reciprocity may not object to the registration of a GI, and therefore do not have the legal means to prevent misleading uses required by Article 22.2 of the TRIPS Agreement.

181. In addition, the GI Regulation provides, under Articles 7, 12b and 12d that only those with a “legitimate interest” or a “legitimate economic interest” have a right to object. As discussed above, the Paris Convention provides that an interested party can be any producer or

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152 Recall that this is an EC Regulation, which is immediately applicable in all EC member States.

153 Articles 12b and 12d of the GI Regulation.
seller established in the region falsely indicated as the source in a given territory, which may be different from the region in which the false indication is being used. To the extent that the GI Regulation’s requirement means that the person must have an economic interest in the EC, it is inconsistent with the TRIPS Agreement obligation to make legal means available to all “interested parties” and not just those established or doing business in the EC.

182. Finally, the possible grounds for objection – that the registration of the name “would jeopardize the existence of an entirely or partly identical name or of a mark or the existence of products which have been legally on the market for at least five years”\(^{154}\) – is unduly restrictive and does not provide legal means to object to a registration in order to prevent “the use of any means in the designation or presentation of a good that indicates or suggests that the good in question originates in a geographic area other than the true place of origin in a manner which misleads the public as to the geographic origin of the good” or “any use which constitutes an act of unfair competition within the meaning of Article 10bis of the Paris Convention (1967).”

183. Consequently, the EC GI Regulation fails to provide the required legal means to interested parties as required by Article 22.2.

E. The EC GI Regulation is inconsistent with the EC’s enforcement obligations under the TRIPS Agreement

184. Part III of the TRIPS Agreement – “Enforcement of Intellectual Property Rights” – contains a broad range of obligations with respect to the enforcement of intellectual property rights covered by the Agreement, which includes trademark rights and rights in geographical indications. As described in section IV.C of this submission, the EC GI Regulation denies the owner of a registered trademark its Article 16.1 exclusive right to prevent all third parties from using the same or similar signs for identical or similar goods as those for which the trademark is registered where such use would result in a likelihood of confusion. Further, the EC GI Regulation does not, with respect to GIs, provide the required legal means to interested parties to prevent misleading uses or acts of unfair competition. Therefore, as summarized below, that Regulation is also inconsistent with numerous TRIPS Agreement obligations to enforce intellectual property rights.

185. Article 41.1 requires that enforcement procedures be available to permit effective action against any act of infringement of intellectual property rights, and expeditious remedies to deter further infringements. In contrast, under the EC GI Regulation, an owner of a registered trademark does not have any procedures available to him to take action against infringement of his trademark by a registered GI, and has no remedies available to him to deter such further infringements. The same is true of interested parties with GIs based in territories other than the EC.

\(^{154}\) Article 7(4) of the GI Regulation.
186. Article 41.2 requires that enforcement procedures be fair and equitable, and not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays. Article 41.4 requires the opportunity for judicial review. Neither of these obligations are satisfied with respect to owners of registered trademarks trying to enforce their Article 16.1 rights vis-à-vis a confusing GI or to interested parties with GIs based in territories other than the EC.

187. Article 42 requires that civil judicial procedures concerning the enforcement of “any intellectual property right” be made available to rightholders. Article 44.1 requires that judicial authorities have the authority to issue orders to desist from infringement. As detailed in this submission, no such procedures or injunctions are available to owners of registered trademarks vis-à-vis confusing signs that are registered as GIs. And no such procedures or injunctions are available to holders of rights in GIs located in WTO Members that do not satisfy the equivalency and reciprocity requirements of the GI Regulation.

188. Consequently, the EC GI Regulation is inconsistent with the TRIPS Agreement obligations to enforce intellectual property rights, including Articles 41.1, 41.2, 41.4, 42, and 44.1.

F. The EC GI Regulation is inconsistent with Article 65.1 of the TRIPS Agreement

189. Under Article 65.1 of the TRIPS Agreement, the EC was obligated to apply the provisions of the TRIPS Agreement as of one year after the date of entry into force of the WTO Agreement, i.e., one year after January 1, 1995, or as of January 1, 1996.

190. As demonstrated in this submission, the EC GI Regulation is still inconsistent with several provisions of the TRIPS Agreement, and consequently also violates Article 65.1 of the TRIPS Agreement.

V. CONCLUSION

191. For the foregoing reasons, the United States requests that the Panel find that the EC GI Regulation is inconsistent with the EC’s obligations under the TRIPS Agreement and the GATT 1994, and to recommend that the EC bring its measure into conformity with those obligations.
Exhibit List

Exhibit US - Description


Common exhibits on behalf of the complaining parties (prefix COMP)

**EC Regulations, Directives and Decisions**

   a. Consolidated unofficial version prepared by the complainants, with all amendments shown.

*Not provided separately:* As amended by Council Decision 95/1/EC adopting the Regulation for the Act of Accession of Austria, Sweden and Finland.


   a. Current consolidated version prepared by the EC, including as amended to and
      (last visited 14 April 2004).
      amendment”.
   c. Extract from the Act of Accession of Cyprus, Czech Republic, Estonia, Hungary,
      Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia, published in the Official
      Journal of the European Union, L 236 of 23 September 2003, page 359,
      concerning amendments to Regulation No. 1107/96 to take effect from the date of
      the Czech Republic’s accession to the EU on 1 May 2004, available at
      (last visited 14 April 2004).
      product specifications of a number of registered names.
      product specification of Parmigiano Reggiano.

   a. Current consolidated version prepared by the EC, including as amended to and
      (last visited 14 April 2004).
   b. Subsequent amending Commission Regulations (EC) Nos:
      i. 865/2003 of 19 May 2003;
      ii. 1257/2003 of 15 July 2003;
      iii. 1291/2003 of 18 July 2003;
      iv. 1298/2003 of 22 July 2003;
      v. 1428/2003 of 11 August 2003;
      vi. 1491/2003 of 25 August 2003;
      vii. 1665/2003 of 22 September 2003;
      viii. 1979/2003 of 11 November 2003;
      ix. 2054/2003 of 21 November 2003;
      x. 2206/2003 of 17 December 2003;
      xi. 2275/2003 of 22 December 2003;
      xii. 135/2004 of 27 January 2004;
      xiii. 297/2004 of 19 February 2004;
      xiv. 387/2004 of 1 March 2004;
xv. 465/2004 of 12 March 2004; and  


   b. Subsequent amending Council Regulations (EC) Nos:
      i. 1992/2003 of 27 October 2003; and


Judgments of the European Court of justice


12. La Conqueste SCEA v Commission of the European Communities (T-215/00) [2001] ECR II-00181 – “the Canard à foie gras du Sud Ouest judgment”.

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Other EC documents


Other documents


