

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

Questions posed by the Panel to the parties on 25 June 2004

Q1. To what extent is the Panel bound by the EC's interpretation of its own Regulation?
USA, AUS, EC

Response:

1. The Panel is not bound by the EC's interpretation of the GI Regulation. The Panel is charged under Article 11 of the DSU with making "an objective assessment of the matter before it, including an objective assessment of the facts of the case . . ." Therefore, as the Appellate Body has emphasized, for instance, in *India – Patents (US)*,¹ panels often must make a detailed examination of the domestic law of a Member in order to assess the conformity of that law with WTO obligations.² In this capacity, the Panel is a finder of fact: the Panel should "establish the meaning" of municipal law, "as a factual element", to "check whether these factual elements constitute conduct" contrary to WTO law.³ The party asserting the inconsistency – in this dispute, the United States and Australia – has the initial burden of setting out evidence and arguments sufficient to demonstrate the inconsistency; if that burden is met, it is up to the responding party – the EC – to bring forth evidence and arguments to disprove the claim.

2. In conducting the analysis of municipal law, panels and the Appellate Body have stated expressly that "we are not bound to accept the interpretation [of municipal law] presented by the [responding Member]".⁴ In *India - Patents (US)*, the Appellate Body pointed out that if the panel were obliged to accept the interpretation of municipal law offered by India in that dispute, the consequence would be that "only India can assess whether Indian law is consistent with India's obligations under the WTO Agreement. This, clearly, cannot be so."⁵ In that dispute, India's explanation for certain "contradictions" in its municipal law was rejected by the panel and the

¹ Appellate Body Report, *India - Patent Protection for Pharmaceutical and Agricultural Chemical Products ("India - Patents (US) "*, WT/DS50/AB/R, adopted 16 January 1998), para. 66 ("It is clear that an examination of the relevant aspects of Indian municipal law...is essential to determining whether India has complied with its obligations under Article 70.8(a). There was simply no way for the Panel to make this determination without engaging in an examination of Indian law.")

² See also Appellate Body Report, *India - Patents (US) "*, para. 67; Appellate Body Report, *United States - Anti-Dumping Measures on Certain Hot-Rolled Steel Products from Japan ("US - Hot-Rolled Steel ")*, WT/DS184/AB/R, adopted 23 August 2001, para. 200; panel report, *United States - Sections 301-310 of the Trade Act of 1974 ("US - Section 301 Trade Act ")*, WT/DS152/R, adopted 27 January 2000, para. 7.18; Panel Report, *United States - Anti-Dumping Act of 1916 - Complaint by the European Communities ("US - 1916 Act (EC) ")*, WT/DS136/R and Corr.1, adopted 26 September 2000, as upheld by the Appellate Body Report, WT/DS136/AB/R, WT/DS162/AB/R, paras. 6.48-6.50.

³ Panel Report, *US - Section 301 Trade Act*, para. 7.18.

⁴ Panel Report, *US - Section 301 Trade Act*, para. 7.19.

⁵ Appellate Body Report, *India - Patents (US)*, para. 66.

Appellate Body.⁶ Further, for panels to accept uncritically the responding Member's interpretation of its own municipal law would preclude them from making their own "objective assessment" of the matter, including the "factual element" of municipal law.⁷

3. Although panels are not bound by the interpretation offered by a responding Member of its own legislation, the panel in *US - Section 301* suggested that the responding Member "can reasonably expect that considerable deference be given to its views on the meaning of its own law."⁸ However, in making an objective assessment, panels must critically review the interpretation offered, as they would critically review any other evidence pertaining to the facts. In that respect, panels should weigh the circumstances carefully and determine what credibility to ascribe to the interpretation offered.

4. In some circumstances, the interpretation may be the result of other legal instruments that pre-date the dispute. Thus, the panel in *US - Section 301* accorded particular credibility to the interpretation given by the United States to its law because that interpretation was reflected in an authoritative statement of administrative action ("SAA"), issued by the President prior to the dispute, and approved by the U.S. Congress.⁹

5. In this dispute, by contrast, the question is perhaps not how much weight to give to the EC's interpretation, but which of the conflicting interpretations to take into account: that consistently provided to WTO Members in the years leading up to the EC's first written submission in this proceeding, or that provided for the very first time in the EC's first written submission.

6. Related to this question are the questions of the Panel to the EC concerning whether the Commission's interpretation of Regulation No. 2081/92 is "binding on the European Communities" (question 15); what would be the most authoritative statement of the interpretation of the Regulation in European Community law (question 15); and whether the EC member States and the Council are bound by the Commission's interpretation of the Regulation (question 70).

7. As these questions also bear on the weight that the Panel should give to the Commission's interpretation of this measure in this dispute, the United States would like to offer its views on these questions.

8. According to Article 220 of the EC Treaty, the Court of Justice of the European Communities ("ECJ") and the Court of First Instance are responsible for "ensuring that in the interpretation and application" of EC law "the law is observed".¹⁰ The Court has interpreted this

⁶ Appellate Body Report, *India - Patents (US)*, para. 70.

⁷ See Panel Report, *US - 1916 Act (EC)*, para. 6.48.

⁸ Panel Report, *US - Section 301 Trade Act*, para. 7.19

⁹ See Panel Report, *US - Section 301 Trade Act*, paras. 7.111 and 7.112.

¹⁰ The EC Treaty provisions discussed in this response are included as Exhibit US-26.

provision to mean that it is the "ultimate interpretive authority in relation to the EC Treaty."¹¹ The ECJ is the highest court of EC law, and only its interpretation of the EC GI Regulation would be binding on the institutions and member States of the EC. Although it is true that in many, if not all, WTO Members, the highest authority for interpretation of a domestic law is the courts, there are particular aspects of the EC system that are distinct from other Members' systems and that are relevant to the Panel's consideration of the evidence in this dispute.

9. For instance, the EC Treaty specifically envisages that the Commission may incorrectly interpret or apply EC law, and the Treaty lays down judicial procedures for action to be taken against the Commission (Articles 230 and 232 of the EC Treaty). This underscores that, in EC law, the Commission's interpretation of EC law does not appear to have any special authority under EC law itself and may in fact be wrong.

10. A good example of this is the so-called "comfort letters" issued by the Commission in the exercise of its powers in the field of competition law. Where commercial parties notify an agreement to the Commission seeking an exemption under Article 81(3) of the EC Treaty, the Commission may respond through an informal "comfort letter". This letter expresses the opinion of the Commission on the interpretation and application of EC competition laws. The letter binds the Commission. However, if the agreement is challenged in a national court, the national court is not bound by the Commission opinion. Indeed, according to the ECJ, the national court is not even obliged to take the Commission opinion into account, although it "may" do so.¹²

11. In the same vein, in proceedings before the ECJ, the Commission generally submits a brief. However, the Commission's brief carries no greater weight before the ECJ than a brief submitted by a private party, or by one of the other Community institutions or an EC member State. In many cases, the ECJ does not even accept the Commission's interpretation of provisions of Community law.

12. Therefore, it follows that the interpretation of the EC GI Regulation offered by the Commission to the Panel in this dispute (particularly in light of the fact that this interpretation contradicts all previous interpretations provided by the EC) is not binding upon the European Communities. It is no more than the opinion of the Commission and has no special authority.

13. The significance of this fact for this Panel might be illustrated by an example. Assume that, in applying its interpretation of the GI Regulation, the Commission grants an application for

¹¹ EU Law (2nd edition), Craig and De Burca, p. 30. Exhibit US-27. See also the ECJ's Opinion 1/91 on the Draft European Free Trade Agreement, [1991] I-ECR 6079, para. 35, where the ECJ explains that, "in the allocation of responsibilities defined in the Treaties", it has the "exclusive jurisdiction" for ensuring that "the law is observed". Exhibit US-28. In the ECJ's Opinion 1/92, also on the Draft European Free Trade Agreement, [1992] I-2821, para. 22, the ECJ states that its decisions are "binding" in the Community legal order, pursuant to Article 220 of the EC Treaty (formerly Article 164). Exhibit US-29.

¹² Bellamy & Child, European Community Law of Competition (5th edition, Roth), para. 10-028, citing Case 99/79 *Lancome v. Etos* [1980] ECR 2511. Exhibit US-30.

registration of a GI for a product from a WTO Member that has not received approval pursuant to Article 12(3) of the GI Regulation. The Commission would, by that act, have failed to apply the provisions of Articles 12 and 12a, which state that an application can only be entertained from only those third countries that have received approval under Article 12(3). In other words, the Commission would have registered a GI in circumstances where the Council had legislated that no GI should be registered.

14. In that case, the Commission's act would be open to challenge before the ECJ by any member State or by the Council or European Parliament, under Article 230 of the EC Treaty. Further, natural or legal persons that are directly and individually concerned by the decision could also challenge the Commission's act. In those proceedings, the Commission's interpretation of the Regulation would not be binding upon the ECJ. To the contrary, the ECJ could reach the view that the Commission was not entitled to disregard the requirements in Article 12(1) and 12(3).

15. In that regard, the ECJ has already ruled that "the WTO agreements are not in principle among the rules in the light of which the Court is to review the legality of measures adopted by the Community institutions".¹³ In other words, the ECJ would not entertain the Commission's argument that it was entitled to disregard the terms of the Regulation in order to comply with WTO law. Instead, the ECJ will apply EC legislation even if that legislation is WTO-inconsistent.¹⁴

16. The only exception to this appears to be where the EC legislation "intended to implement a particular obligation assumed in the context of the WTO agreements, or where the Community measure refers expressly to the precise provisions of the WTO agreements".¹⁵ In that event, the ECJ will examine whether EC legislation is consistent with the WTO obligations it seeks to implement. However, even in that case, the ECJ would not allow the Commission simply to disregard provisions of a Regulation. The Commission must apply the legislation. If the Commission considered that the legislation was WTO-inconsistent it could have challenged the Council's adoption of the legislation before the ECJ under Article 230 of the EC Treaty.

17. The Panel should also be aware that, according to Article 211 of the EC Treaty, the Commission has a responsibility in EC law for ensuring that the EC Treaty and secondary

¹³ Case C-93/02 P, *Biret International SA v. Council of the European Union*, judgment of 30 September 2003, para. 52. Exhibit US-31.

¹⁴ See Case C-149/96, *Portuguese Republic v. Council of the European Union*, judgment of 23 November 1999, paras. 49 - 52. Exhibit US-32. Portugal argued that a Council decision concerning market access for textiles from Pakistan was contrary to Community law as it was inconsistent with WTO law. The ECJ declined to examine the WTO law arguments and held that the Council decision could not be challenged for these reasons. The ECJ found that the arguments on WTO law were "unfounded", without any substantive inquiry. In essence, the ECJ has already accepted, therefore, that Council legislation may well be WTO-inconsistent and must still be applied in the EC legal order.

¹⁵ *Biret International SA*, para. 53. Exhibit US-31.

legislation "are applied". In that respect, if the Commission takes the view that an EC member State or another institution has failed to respect EC law, the Commission may bring proceedings to the ECJ under Articles 226, 230 or 232 of the EC Treaty. However, the Commission's responsibility under Article 211 does not confer any special status upon the Commission's interpretation of EC law. The other institutions, and the Member States, can and do take different views from the Commission as to the meaning of EC law. At the end of the day, it is for the ECJ to ensure that "the law is observed", according to Article 220.

18. For all these reasons, the Panel should not accord any particular deference to the Commission's most recent interpretation of the GI Regulation, newly minted for purposes of this dispute, taken alone. This new interpretation does not appear to be based on any published official notice; it appears to run counter to the terms of the Regulation; and does not appear to be authoritative or binding as a matter of EC law. Further, as discussed above, the United States has substantial concerns that the EC's interpretation would not stand up to ECJ review.

Q2. Can the procedures under Articles 5 and 6 of Regulation (EC) No. 2081/92 apply to names of geographical areas located outside the EC? EC

Q3. Did the phrase "[w]ithout prejudice to international agreements" in Article 12(1) of Regulation (EC) No. 2081/92 predate the TRIPS Agreement? Did it refer to any specific agreements when it was adopted? Which agreements does it refer to now? Would it cover bilateral agreements for the protection of individual geographical indications? EC

Q4. Is it unusual that the text of Article 12(1) of Regulation (EC) No. 2081/92 covers only a small number of countries that are non-WTO Members, but the introductory phrase "[w]ithout prejudice to international agreements" covers the entire membership of the WTO? Why was this structure retained when the Regulation was amended in April 2003? EC

Q5. In paragraph 8 of the US oral statement it is implied that the purpose of the phrase "[w]ithout prejudice to international agreements" in Article 12(1) of Regulation (EC) No. 2081/92 is to reserve the EC's flexibility to protect specific non-EC GIs through bilateral agreements. In the US view, in what way does the phrase apply to bilateral agreements? Please also explain on what basis the US draws the distinction between bilateral and other international agreements. USA

Response:

19. The "without prejudice" language recognizes that international agreements may lay down specific GI rules (*i.e.*, either directly specifying GI protection for specific names or specifying procedures and requirements for protecting GIs from the parties to that agreement). In such an event, the specific regime established in the international agreement will be applied directly.

20. As context and by way of background, the EC has sought and granted protection to specific geographical indications in bilateral agreements with individual countries. Such provisions are contained, for instance, in the EC's agreement in the wine sector with Canada, Chile, and South Africa, among others, in which EC-wide GI protection is granted to specific GI

terms listed in those agreements under specific procedures.¹⁶ And, indeed, the basic EC wine regulation, Council Regulation (EC) 1493/1999, provides that imported wines bearing a geographical indication may be eligible for the EC’s protection and control scheme for geographical indications “subject to reciprocity”.¹⁷ Further, the EC’s wine labeling regulation, containing rules for applying Regulation 1493, makes the use of GIs for wine from third countries subject to a requirement that they not give rise to confusion with the geographical indication of “another imported wine included in the lists in agreements concluded between the Community and third countries.”¹⁸

21. In other words, in this area, the EC provides certain general rules for the use of GIs from third countries, but makes those rules subject to specific agreements that the EC has reached with certain third countries with respect to protection of specific GIs.

22. Similarly, in the non-wine context, the Joint Declaration included in the bilateral agreement between Switzerland and the EC “on the protection of geographical indications and designation or origin of agricultural products and foodstuffs” specifically anticipates special rules concerning both the registration of Swiss GIs and the inspection structures to be required of Switzerland:

[t]he Parties shall provide for provision 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 arrangement on controls.

23. Thus, to provide for the likelihood that these “conditions governing [PDO and PGI] registration” and the “arrangement on controls” will not necessarily mimic exactly the conditions and inspection structures required in the EC GI Regulation, the GI Regulation states that the conditions and inspection structures required of third countries in the GI Regulation are “[w]ithout prejudice to international agreements”, such as that negotiated with Switzerland.

¹⁶ See, e.g., Agreement between Canada and the European Community on Trade in Wines and Spirit Drinks, Articles 10 and 11 (“In implementation of paragraphs 1 and 2, after receiving an official application by diplomatic note from Canada justifying that the names in paragraph 1 are geographical indications, the Community shall take the necessary steps to have the names listed in Annex III (b) protected by the competent authorities responsible for enforcement so that any wines incorrectly presented or described with a protected Canadian geographical indication are not placed on, or are withdrawn from, the market”). Exhibit US-33. See also Agreement Between the European Community and the Republic of South Africa on Trade in Wine, http://europa.eu.int/eur-lex/pri/en/oj/dat/2002/l_028/l_02820020130en00040105.pdf;

¹⁷ Council Regulation (EC) No. 1493/1999 of 17 May 1999, OJ L 179, 14.7.1999, page 1, Annex VII (G)(4). Exhibit US-34.

¹⁸ Article 36(3) of Commission Regulation (EC) No. 753/2002 of 29 April 2002, laying down certain rules for applying Council Regulation (EC) No. 1493 as regards the description, designation, presentation and protection of certain wine sector products, OJ L 118, 4.5.2002, p. 1. Exhibit US-35.

24. There are other examples of bilateral agreements to which the “without prejudice” language would appear to apply. For instance, there are bilateral agreements for the protection of specific GIs between member States of the EC and third countries, such as those between Austria and the Czechoslovak Republic and between Portugal and the Czechoslovak Republic on the protection of specific Czech GIs.¹⁹ As the Supreme Court of Justice in Portugal noted in a case involving the latter agreement, the language of the GI Regulation – “[w]ithout prejudice to international agreements” – is aimed at excluding from “its field of application the third countries which are parties in agreements entered into with member States.”²⁰ There are other bilateral and plurilateral agreements involving member States on GIs. Examples are provided in WTO document, IP/C/W/85/Add.1, 2 July 1999, Overview of Existing International Notification and Registration Systems for Geographical Indications Relating to Products Other Than Wines and Spirits, (Note by the Secretariat). As discussed above, certain of these agreements provide GI protection for specific names (examples include the Austria / Czechoslovak agreement that protects a list of named GIs) and the (plurilateral) Stresa Convention,²¹ which protects a large number of names of cheeses.

25. In addition, the EC is also seeking more specific agreements on GIs. For instance, Article 46(4) of the Cotonou Agreement states that the EC, its member States and the ACP countries may enter into agreements on the protection of "geographical indications for products of particular interest" to the parties. The EC is also engaged in negotiations with China on a bilateral agreement on GIs. (see http://europa.eu.int/comm/external_relations/china/intro/sect.htm).

26. In the context of all of these specific bilateral and plurilateral agreements, the "without prejudice" language allows the Commission to apply the specific GI protection regimes established by international agreements independently of the Regulation. For instance, if the EC concludes an agreement with a third country to provide GI protection for named agricultural products from that country, there is no need to use the registration procedures in the Regulation. The Commission can simply insert the names concerned in the register on the basis of the newly established international regime and the "without prejudice" language in the GI Regulation.

27. Similarly, if an international agreement were to lay down special procedures governing the registration of GIs for products from particular third countries, the Regulation would not prevent the Commission from applying these procedures directly, even though they are different

¹⁹ See Case C-216/01, *Budejovický Budvar v. Rudolf Ammersin*, judgment of 18 November 2003, paras. 70 and 71 (where the French government asserted that the “without prejudice” language preserved the protections offered by the Austrian-Czechoslovak Agreement; the ECJ did not have to address that assertion, however, since the case was decided on other grounds). At the time of the dispute, the Czech Republic, a successor State to the Czechoslovak Republic, was not a member State of the European Union and was, therefore, a third country for these purposes. Exhibit US-36.

²⁰ Exhibit US-37.

²¹ Signed on 1 June 1951 and entered into force on 12 July 1953. To date the contracting parties are Austria, Denmark, France, Italy, The Netherlands, Norway and Switzerland.

from the procedures in the Regulation.

28. In these cases, the international agreement would be applied directly without need for implementing rules. In short, instead of applying the Regulation, the Commission would apply specific rules laid down in the agreement that deal with the particular fact situation. And the Commission would derive authority for its act directly from the international regime to which it specifically applies, displacing the general rules in the EC GI Regulation.

29. In the case of the national treatment obligation in the TRIPS Agreement, by contrast, there is no specific international registration regime for the Commission to apply. The Commission does not even purport to be applying an international regime of any kind. Instead, the Commission appears to acknowledge that it is applying the Community registration regime. However, apparently because of the requirements of the national treatment obligation in the TRIPS Agreement, the Commission now says it has to apply the Community regime differently from the regime the Council adopted.

30. The Commission is, therefore, purporting to apply a regime that is not provided for either in an international agreement or in Community law. In short, there are no specific rules in an international agreement to apply; instead, the Commission now purports to be taking it upon itself to modify the Community general rules.

31. But the "without prejudice" language does not authorize the Commission to apply rules that have no legal basis whatsoever, be it in international law or Community law. Furthermore, in general Community law, as the United States understands it, the Commission does not enjoy the legal authority to modify or refuse to apply a Council Regulation. Only the Council can modify its own Regulation.

32. Accordingly, the Commission appears to have no legal authority to receive GI applications for products from a third country unless the third country has requested, and been granted, approval by the Commission, pursuant to Article 12(3) of the Regulation.

33. With respect to the Panel's question about whether these agreements are necessarily "bilateral", the EC has generally sought reciprocal treatment, which implies that in general such agreements are bilateral. But the United States notes that the EC is also negotiating agreements in the wine sector with Mercosur, which would probably be characterized as plurilateral, and also notes the example of the Stresa Convention, discussed above, which is also plurilateral. It is, of course, possible for a multilateral agreement to provide for specific procedures and conditions for registering and protecting certain GIs of all parties to the agreement, as the EC has negotiated on a bilateral basis and plurilateral basis in the past. But, for the reasons mentioned above, the WTO Agreement is not such an agreement.

Q6. What meaning does Australia give to the phrase "[w]ithout prejudice to international agreements" in Article 12(1) of Regulation (EC) No. 2081/92? AUS

Q7. Do the last sentence of Article 12(3) of Regulation (EC) No. 2081/92 and the first clause in Article 12a "[i]n the case provided for in Article 12(3)" limit the applicability of Article 12a? EC

- Q8. Which references to a "third country" in Articles 12, 12a, 12b and 12d of Regulation (EC) No. 2081/92 include all WTO Members, and which do not? What, in the context of each reference, indicates what "third country" means? Why are different terms not used? **EC**
- Q9. Why is it that only the rights of objection in Articles 12b(2)(a) and 12d(1) of Regulation (EC) No. 2081/92 mention a "WTO Member" or "WTO member country"? Is it relevant that Regulation (EC) No. 692/2003 explained, in its 10th recital, that in the matter of objections the provisions in question apply without prejudice to international agreements but, in its 9th recital, it explained that the protection provided by registration is open to third countries' names by reciprocity and under equivalence conditions? **EC**
- Q10. Has the Commission recognized any countries under the procedure set out in Article 12(3) of Regulation (EC) No. 2081/92? Have any countries requested to be recognized under that procedure? **EC**
- Q11. Has an application for registration under Regulation (EC) No. 2081/92 ever been made in respect of the name of a geographical area located outside the EC? If so, what happened? **EC**
- Q12. Has any group or a natural or legal person interested in a geographical indication for agricultural products or foodstuffs originating in your territory ever sent a registration application to your authorities pursuant to Regulation (EC) No. 2081/92? If not, do you know the reason? **USA, AUS**

Response:

34. As the United States explained to the Panel during its first meeting, there is no office established within the U.S. Government for processing applications for GI registrations in the EC; nor is the United States in a position to assess whether any such application would meet the requirements of the EC GI Regulation, as that regulation requires.²² Therefore it is not clear to whom such an application would be sent.

35. However, after consulting various agencies in the U.S. Government, it does not appear that any applications have been submitted, although there have been discussions with private sector stakeholders about the lack of access to the EC GI system. The United States is not privy to all of the reasons that a person with a U.S.-based GI would not file an application. However, as illustrated by the case of the Idaho Potato Commission, which protects "Idaho Potatoes" as a certification mark in the United States, such rightholders recognize that it would be futile to apply, because the United States does not satisfy the GI Regulation's equivalence and reciprocity requirements.

36. In testimony presented to the Committee on Agriculture in the U.S. House of Representatives on July 22, 2003, a representative of the Idaho Potato Commission testified that,

²² Article 12a(2) of the GI Regulation.

in order to achieve GI protection under the GI Regulation, the country seeking GI protection for its nationals has to show that it “has essentially adopted the EU system for protecting GI’s. This puts the EU in the position of evaluating the laws of another WTO Member, and then making a determination that their system for protecting GI’s is reciprocal to the laws of the EU.”²³ Testifying that “the existing U.S. certification mark system is not, in the view of the EU, sufficient”, he concluded that there was no way for U.S. agricultural producers to achieve such protection. He further stated that “the attorneys we have retained in the EU to investigate and advise us of any recourse that might be available to us have all reached the same conclusions: the EU system has simply shut us out. We are powerless to protect our name in the EU, but EU nationals are free to register and use our name.”²⁴

37. As far as the United States is aware, the situation of the Idaho Potato Commission is not unique, and its view of the situation, which has been set out in public statements, is shared by many relevant stakeholders in the United States. For instance the U.S. Dairy Export Council and the National Milk Producers Federation have also complained to the U.S. Government that, absent EC-equivalent legislation in the United States, U.S. persons are not eligible to register their GIs in the EU.²⁵

38. Further, neither the Idaho Potato Commission nor any other U.S. stakeholder would have received contrary information from the U.S. Government. To the contrary, as discussed in the U.S. first written submission, the EC has made clear on numerous occasions, including during five years of consultations, that the United States would have to satisfy the conditions of reciprocity and equivalence to have U.S.-based GIs registered, and that the United States does not satisfy those conditions. Indeed, responding on January 16, 2003, to the U.S. concern about conditioning the availability of GI registration on equivalence and reciprocity, *the EC specifically wrote that “it is true that US GIs cannot be registered in the EU”,* but claimed that other avenues for protection (e.g., member State unfair competition rules) were available.²⁶

39. In other words, the lack of applications appears to result from the success of the EC GI Regulation in erecting barriers to those applications.

Q13. What discretion does the Commission enjoy in the application of Regulation (EC) No. 2081/92? EC

Q14. Please express your view on whether and to what extent the mandatory/discretionary distinction in GATT and WTO jurisprudence applies under the TRIPS Agreement. Would the nature of those TRIPS obligations which are not prohibitions but rather oblige Members to take certain actions, affect the application of the distinction? USA, AUS,

²³ See Exhibit US-38, at p. 352.

²⁴ Exhibit US-38 at p. 353.

²⁵ See Letter from U.S. Dairy Export Council and the National Milk Producers Federation to the Office of the United States Trade Representative, dated March 26, 2004. Exhibit US-39.

²⁶ See Exhibit US-40.

EC

Response:

40. In this dispute, the EC has argued, at para. 12 of its oral statement²⁷

In order to substantiate their claim, the complainants should have established that Regulation 2081/92 mandates necessarily the registration of later confusing geographical indications. In turn, this would have required them to show that Article 14(3) cannot be interpreted in a manner which allows the registering authority to refuse the registration of confusing geographical indications. At the very least, the complainants should have established that, in practice, Article 14(3) is being interpreted and applied in a manner which results in a consistent pattern of registrations of confusing geographical indications. The complainants have proved none of this. Indeed, they have not even attempted to do so. As mentioned, their complaint is purely theoretical. The Panel, therefore, should conclude that, as a matter of fact, the complainants' claim would be unfounded even on their own interpretation of Article 16.1 of the TRIPS Agreement.

41. This is not a proper application of the mandatory/discretionary analysis. Article 16.1 of the TRIPS Agreement requires Members to provide owners of registered trademarks with certain exclusive rights to prevent confusing uses of signs, including GIs. A WTO Member cannot decline to provide this right, guaranteed by the TRIPS Agreement, on the grounds that the *owner* of the registered trademark is unlikely to need it in light of how the *EC* might apply Article 14(3). Yet, that is just what the EC is arguing. Further, Article 14(3) cannot substitute entirely for this right. First, Article 14(3) applies only in the case of possible confusion with trademarks “in light of a trade mark’s reputation and renown and the length of time it has been used”. By contrast, Article 16.1 rights are required regardless of the reputation, renown, or length of time of use of the registered trademark. More significant, however, Article 14(3) cannot substitute entirely for TRIPS Article 16.1 rights because it is not possible to determine with certainty at the time of registration whether the use of a GI will likely result in confusion with a registered trademark, as such a determination is made on a case-by-case basis, and may require an evaluation of the use of the GI in the marketplace.

42. Simply stated, the EC cannot provide the required exclusive rights to owners of registered trademarks under TRIPS Article 16.1 by invoking the unrealistic hope that the EC authorities will make the exercise of those rights unnecessary through the use of Article 14(3) of the GI Regulation. The EC is incorrect in stating that to establish its TRIPS Article 16.1 claim, the United States “would need to prove that Regulation 2081/92 mandates necessarily the registration of confusing geographic indications.”²⁸ The issue is not whether the EC has the legal discretion to grant or deny the registration of GIs when there is the possibility of confusion with

²⁷ See also, EC First Written Submission, paras. 277 and 292.

²⁸ EC First Written Submission, para. 277.

any trademark (although the EC does not have such discretion.). The issue is whether the EC is providing *owners* of registered trademarks with the rights required by Article 16.1.

43. Thus, in the context of this dispute, a breach has been established through the failure of the EC to provide the right in question in its municipal law. The mandatory/discretionary analysis is not required in this particular instance. This is not to say, however, that it might not be relevant in other TRIPS Agreement contexts, including where the TRIPS Agreement obliges Members to take certain actions. For example, if a Member maintains a measure which affirmatively precludes the Member's authorities from taking required actions, under a mandatory/discretionary analysis, the measure would mandate a breach of the TRIPS Agreement obligation.

44. Finally, the EC has no basis for alleging that a challenge to the EC GI Regulation requires a showing of a "consistent pattern" of registering confusing GIs. As described above, the EC is obligated to provide a right in its municipal law, and it is not. Nevertheless, the United States notes that in the one invocation of Article 14(3) cited by the EC, the Commission decided to register the name Bayerisches Bier as a GI, notwithstanding having been informed of a trademark ("Bavaria") used for beer that included that name (apparently in translation).²⁹ This specific application of the Regulation does not give the United States much confidence that Article 14(3) fulfills the Article 16.1 rights of registered trademark owners.

Q15. What would be the most authoritative statement of the interpretation of Regulation (EC) No. 2081/92? Is a statement by the EC delegation to this Panel legally binding on the European Communities? EC

Response:

See response to question 1.

Q16. Can the EC provide the Panel with any official statement predating its first written submission that names of geographical areas located in all WTO Members could be registered under Regulation (EC) No. 2081/92 without satisfying its equivalence and reciprocity conditions? EC

Response:

45. See Exhibit US-40, in which, in a communication to the United States, the EC confirmed that U.S. GIs "cannot be registered in the EU." See also Exhibit US-44 (slide 14/15).

Q17. Is the EC's explanation of the availability of registration of foreign GIs under its system, set out in its written statement to the Council for TRIPS in September 2002, (IP/C/M/37/Add.1, para. 142 and Annex, pp. 77-85) consistent with the text of Articles 12-12c of the Regulation? Why did that written statement not qualify the position that the Regulation's equivalence and reciprocity conditions apply to foreign GIs, if they did not apply to WTO Members, to whom the statement was addressed? EC

²⁹ See Exhibit US-41.

- Q18. *Did the EC member States agree with the Commission's written statement to the Council for TRIPS in September 2002 with respect to the conditions attached to the registration of foreign GIs? How can the Commission ensure that the Council of Ministers will not prevent registration under the Regulation of the name of a geographical area located in a third country WTO Member because that Member does not satisfy the equivalence and reciprocity conditions of Article 12(1)?* **EC**
- Q19. *Has a judicial authority ever ruled on the availability of protection provided by registration for third countries under Regulation (EC) No. 2081/92? If the Commission registered the name of a geographical area located in a third country WTO Member, could that registration be subject to judicial review because the area was located in a WTO Member that did not fulfil the equivalence and reciprocity conditions of Article 12(1) of the Regulation?* **EC**
- Q20. *With reference to paragraph 43 of the EC's oral statement, does the EC contest that equivalence and reciprocity conditions such as those under Article 12(1) and (3) of Regulation (EC) No. 2081/92, if applied to other WTO Members, would be inconsistent with the national treatment obligations in the TRIPS Agreement and/or Article III:4 of the GATT 1994?* **EC**
- Q21. *If Switzerland, as a WTO Member, can apply for registration of its GIs under Regulation (EC) No. 2081/92 without satisfying equivalence and reciprocity conditions, what was the purpose of its joint declaration with the EC concerning GIs set out in Exhibit US-6 and mentioned in paragraph 119 of the US first written submission and paragraphs 243-244 of the EC's first written submission?* **USA, AUS, EC**

Response:

46. While the United States cannot speak for Switzerland, in the view of the United States, if there were *no* requirement for equivalence and reciprocity in the GI Regulation, as the EC maintains, it would make little sense for Switzerland to agree to “mutual protection” of GIs “on the basis of equivalent legislation”. In effect, Switzerland would be agreeing to more onerous requirements than would be required under the GI Regulation. By contrast, such an agreement would be useful if it meant that Switzerland did not have to meet the equivalence and reciprocity requirements in the GI Regulation.

Q22. *Are there any legal requirements or other provisions in EC or national laws which ensure that groups or persons entitled to apply for registration under Article 5 of Regulation (EC) No. 2081/92 are always, or usually, EC citizens or legal persons organized under the laws of the EC or an EC member State? What conditions have been laid down for natural or legal persons to be entitled to apply for registration pursuant to Article 5(1)?* **USA, AUS, EC**

Response:

47. Under Article 5 of the GI Regulation, only an association of producers and/or processors working with the same agricultural product or foodstuff may apply for a GI registration; Article 2

of Commission Regulation (EEC) No 2037/93 of 17 July 1993³⁰ permits applications by a group of individuals without legal personality where national law treats such a group as a legal person. Under Article 5.2, “[a] group or a natural or a legal person may apply for registration only in respect to agricultural products or foodstuffs which it produces or obtains” within a particular region. Therefore, with respect to applications for GIs referring to regions within the EC, it would appear to follow that those entitled to submit an application for EC-based GIs include legal persons under member State national law that produce or process products in a particular region of that member State; in other words, such applicants are, generally legal persons under the laws of the EC or the EC member State. Indeed, as a practical matter, any commercial entity growing agricultural products or processing foodstuffs in a member State of the EC will set up a legal entity under the laws of that member State for that purpose.

48. Of course, Article 12a, provides for applications from “a group or a natural or legal person as referred to in Article 5(1) and 5(2) in a third country” that satisfies the equivalence and reciprocity conditions, so the same considerations apply with respect to applicants from qualifying third countries: “legal persons” in such a third country producing or obtaining product in that third country may also be able to submit an application for their GIs.

Q23. How do you interpret the term "nationals" as used in Article 1.3, including footnote 1, and Articles 3.1 and 4 of the TRIPS Agreement and Article 2 of the Paris Convention (1967) in relation to this dispute? Do a Member's nationals necessarily include natural persons who are domiciled, or legal persons who have a real and effective industrial and commercial establishment, in that Member? USA, AUS, EC

Response:

49. Article 1.3, footnote 1, specifies that “nationals” of a WTO Member that is a separate customs territory, such as the EC, means “persons, natural or legal, who are domiciled or who have a real and effective industrial or commercial establishment in that customs territory.” This is a definition that applies to the TRIPS Agreement as a whole, so it is a definition that also applies to Articles 3.1 and 4 of the TRIPS Agreement. Thus, for instance, under Article 3.1, the EC has an obligation to accord nationals of other Members treatment no less favorable than it accords natural or legal persons who have a real and effective industrial or commercial establishment in the EC. Further, under Article 2 of the Paris Convention, “nationals” refers to both natural and legal persons,³¹ and, under Article 3, persons that are not nationals of a Paris Union member country, but that are domiciled or that have a real and effective industrial or commercial establishment in the territory of one of the member countries, are also treated as nationals of that member country.

Q24. In your view, which natural or legal persons can be considered "interested parties" in the

³⁰ Laying down detailed rules of application of Council Regulation (EEC) no 2081/92 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs, OJ L 185, 28.7.1993, p. 5 (Exhibit COMP-2.a).

³¹ Bodenhausen, p. 27. Exhibit US-2.

sense of Article 22.2 of the TRIPS Agreement? Is Article 10(2) of the Paris Convention (1967) relevant? USA, AUS, EC

Response:

50. “Interested parties” is not defined in the TRIPS Agreement, but the ordinary meaning of the term under TRIPS Article 2.2 would include a party that has an interest in the subject matter of the geographical indication. Article 10(2) of the Paris Convention, which concerns similar subject matter to TRIPS Agreement Article 22 of the TRIPS Agreement (including false indications of geographical source), provides useful context that an “interested party” includes producers or sellers of the relevant goods that are either established and producing in the region falsely indicated as the source, or established and producing in the country where the false indication of source is used. Article 10 is relevant in this respect notably because it is one of the Paris Convention provisions specifically incorporated into the TRIPS Agreement by Article 2.1.³²

Q25. Is it appropriate to compare nationals who are interested in GIs that refer to areas located in different WTO Members in order to examine national treatment under the TRIPS Agreement? Why or why not? USA, AUS, EC

Response:

51. GIs are by nature related to geographic territory. An analysis of national treatment requires comparing the treatment of different nationals with respect to the protection of their intellectual property. Therefore it is appropriate to compare the treatment of domestic nationals with respect to the protection of their home-based GIs to the treatment of foreign nationals with respect to the protection of their home-based GIs. In addition, as a practical matter, and particularly in the agricultural sector, which is intrinsically tied to the land, a measure that provides less favorable treatment to products originating in certain WTO Members also provides less favorable treatment to the nationals of that Member.

Q26. If national treatment can be examined in relation to GIs in terms of the location of the geographical area to the territory of a Member, is it appropriate to examine national treatment in relation to any other intellectual property rights in terms of an attachment to a Member besides the nationality of the right holder? Why or why not? USA, AUS, EC

Response:

52. National treatment obligations should be analyzed on a case-by-case basis, based on the measure at issue, as well as on the particular type of intellectual property right; broad conclusions in the absence of a particular issue are difficult to formulate accurately. However, the United States notes that footnote 1 to Article 1.3 of the TRIPS Agreement defines “national” throughout the Agreement not in terms of nationality, but in terms of where a person is domiciled or where a person has a real and effective industrial or commercial establishment. Further, in Article 1.3,

³² See Gervais, page 193 (The definition of interested party in Article 10(2) “is useful and may be used to interpret the expression “interested party” used in Article 22(2)). Exhibit US-42.

“nationals” of other Members include persons meeting certain criteria for protection under other international agreements. In the case of copyright, as an example, non-nationals that would be treated as nationals for purposes of protection under the Berne Convention would include non-nationals whose works are first published in a member country (Berne Convention, Article 3), or persons with "habitual residences" in such a country. Similarly, under the Rome Convention, there are points of attachment that are broader than mere nationality, including where a phonogram was first fixed, or where a performance took place, or where a broadcast originated.

53. Geographical indications may be different from other forms of intellectual property in the degree to which they are related to the territories of the Parties, but finding points of attachment that go beyond mere “nationality” in a technical sense is not unusual.

Q27. Can the Panel assume that it is likely that interested parties in relation to names of geographical areas located in a Member are nationals of that Member? Have the complainants attempted to gather data on the relative numbers of EC, and non-EC, interested parties in names of geographical areas located within, and outside, the EC that might be eligible for registration under Regulation (EC) No. 2081/92? Would such data be relevant? USA, AUS

Response:

54. Any meaningful and realistic appraisal of whether a measure provides less favorable treatment to nationals with respect to geographical indications would take into account that nationals have an interest in GIs in the country of their nationality, particularly with respect to agricultural products and foodstuffs. Therefore, a measure that provides less favorable treatment of, for instance, agricultural products from the United States would provide less favorable treatment to the U.S. nationals that produce them.

55. Further, since the EC’s requirements have discouraged anyone from applying for GI registration with respect to GIs in the United States, it is not possible to determine whether, for instance, there are any French nationals who would, in the absence of the barriers in the EC GI Regulation, seek to register a U.S.-based GI in the EC.

56. In addition, as further support for this obvious link, the United States conducted a search for certification mark applications by French, German, Spanish and Italian nationals. As the Panel is aware, the United States protects geographical indications through certification marks (although certification marks can include subject matter that goes beyond “geographical indications” as defined in the TRIPS Agreement or the EC GI Regulation). The results are attached as Exhibit US-43, and show that nationals of a country typically register names that refer to geographical areas from the territory of their nationality. For example, the certification mark applications and registrations from French nationals include names of French geographic origin, and not names of U.S. origin. The same is true of applications from German, Italian, and Spanish nationals. Similarly, Exhibit 43 includes a sample search of U.S. entities with registered certification marks referring to selected food products, which shows that those entities are interested in geographical areas in the United States.

57. However, in the view of the United States, such data, while they might be obvious, are not necessary, because of the obvious link between the natural and legal persons who would seek GI protection for agricultural products and foodstuffs and the territory of the Member in which they are growing or producing such products.

Q28. *Do you have information on the numbers of EC nationals who are interested parties in relation to GIs protected in your territory for agricultural products and foodstuffs other than wines and spirits? USA, AUS*

Response:

58. The information with respect to certification marks filed by various EC nationals, described in response to question 27, would suggest that EC nationals have an interest primarily in GIs referring to regions in their country of nationality. In addition, however, interested parties would also include those who are likely to be damaged by the registration of a GI – e.g., an EC national using a generic term on a product exported to the United States, where there is an application at the USPTO to make that term proprietary. The United States has no way to know the number of EC nationals who are interested parties in this sense, but notes that any such parties are free to object to, or request cancellation of, the registration of a certification mark.

Q29. *The Japan - Alcoholic Beverages II, Korea - Alcoholic Beverages and Chile - Alcoholic Beverages disputes show that measures which are origin-neutral on their face can be inconsistent with Article III of GATT 1994. Is Regulation (EC) No. 2081/92 also open to challenge under Article 3.1 of the TRIPS Agreement despite its apparently national-neutral text? EC*

Q30. *In Article 2(1) of the Paris Convention (1967) as incorporated in the TRIPS Agreement by its Article 2.1, should the words "country of the Union" be read mutatis mutandis to refer to "WTO Member"? USA, AUS, EC*

Response:

59. Article 2.1 of the TRIPS Agreement requires WTO Members to “comply” with, *inter alia*, Article 2(1) of the Paris Convention, which imposes obligations with respect to the treatment of “[n]ationals of any country of the Union.” Therefore, “country of the Union” should be read *mutatis mutandis* to refer to “WTO Member”. The United States notes, however, that it is a WTO Member as well as a “country of the Union,” so that its nationals are owed national treatment by the EC regardless of the interpretation of this phrase.

Q31. *What is the respective scope of the national treatment obligations in Article 2(1) of the Paris Convention (1967) and Article 3.1 of the TRIPS Agreement? Do they overlap? USA, AUS, EC*

Response:

60. The national treatment obligations of the Paris Convention apply with respect to the protection of industrial property as defined in the Paris Convention. Those of the TRIPS Agreement apply to the protection of intellectual property as defined in the TRIPS Agreement.

There is substantial overlap in these protections, but they are not entirely co-extensive.

61. With respect to the national treatment obligation itself, the scope of the obligation is slightly different in the Paris Convention compared to the TRIPS Agreement – notably, the Paris Convention requires that the “same protection” be granted to nationals of other Members as is granted to a Member’s own nationals, whereas the TRIPS Agreement requires “no less favourable” treatment. However, the United States does not believe that this difference in scope is relevant for purposes of this dispute, as the treatment provided by the EC is neither the “same” nor “no less favorable.” Similarly, the United States does not believe that the difference between other nationals enjoying the advantages of one’s own nationals (Paris Convention Article 2(1)) and other nationals being accorded treatment “no less favourable” than that accorded one’s own nationals (TRIPS Agreement Article 3.1) is significant in this dispute, since the EC GI Regulation complies with neither standard.

Q32. If Regulation (EC) No. 2081/92 grants different treatment to names, why does this amount to less favourable treatment to like products? What evidence is there of actual modification of conditions of competition? Would such evidence be relevant to a determination of less favourable treatment? USA, AUS

Response:

62. Through the registration and protection of GIs for certain products, the GI Regulation bestows numerous significant competitive advantages on those products, which are detailed in the GI Regulation itself.³³ But access to this system of GI protection is not available to products of non-EC origin on as favorable a basis. The issue is not granting different treatment to “names” as such, but rather granting favorable treatment for products whose names qualify for a particular status that brings with it competitive advantages. The EC itself in its GI Regulation indicates that products that benefit from GI protection show enhanced profitability; indeed, that is the very reason for the Regulation. In addition, the EC has provided specific evidence of this competitive advantage, in presentations aimed at demonstrating the value of its GI registration system.³⁴

63. With respect to the issue of “like product”, both the Appellate Body and panels have been clear that, where there is a measure of general application (*i.e.*, not directly regulating specific products), the relevant “like product” consideration is not whether particular traded products are “like”, but rather whether the measure at issue makes distinctions between products based solely on origin.³⁵ As the Appellate Body has noted, the term “like product” in Article III:4 of the

³³ See U.S. First Written Submission at paras. 104 - 107.

³⁴ *E.g.*, “Geographical Indications: An Opportunity for Japanese Specialty Products”, Tokyo - Osaka, 10 - 12 March 2004 (showing pricing differentials for GI vs comparable non-GI products). Exhibit US-44.

³⁵ 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

GATT 1994 "is concerned with competitive relationships between and among products."³⁶ The issue is whether

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.³⁷

64. 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, 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 eligible only if they satisfy an additional set of criteria are like products for purposes of Article III:4.

65. The EC GI Regulation itself offers evidence that both the intent and the effect of the Regulation is to provide competitive benefits on qualifying products. Further, however, the Regulation, on its face, provides for a lack of equality of competitive conditions between domestic products, on the one hand, and imported products on the other, by providing for numerous competitive advantages on qualifying products and by imposing barriers to access to those advantages on imported products. Panels in previous disputes, in analyzing “less favourable treatment”, have examined the lack of equality of competitive conditions provided in the measure itself, without reliance on an actual demonstrated impact in the marketplace. *E.g.*, *U.S. – Section 337*³⁸; *U.S. – Gasoline*³⁹. Therefore, evidence of an “actual” modification of competitive conditions in the marketplace is not required. Indeed, the Appellate Body in *U.S. – FSC (Article 21.5)* stated that

The examination of whether a measure involves "less favourable treatment" of imported products within the meaning of Article III:4 of the GATT 1994 must be grounded in close scrutiny of the "fundamental thrust and effect of the measure itself". This examination cannot rest on simple assertion, but must be founded on a careful analysis of the contested measure and of its implications in the marketplace. At the same time, however, **the examination need not be based on**

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.")

³⁶ Appellate Body Report, *EC - Asbestos*, para. 103. See also discussion of *Alcohol* disputes in section IV.A.1.b.ii(2) of U.S. First Written Submission.

³⁷ Panel Report, *U.S. - FSC (Article 21.5 - EC)*, para. 8.132

³⁸ *United States – Section 337 of the Tariff Act of 1930*, Panel Report, adopted 7 November 1989, BISD 36S/345, para. 5.11.

³⁹ *United States – Standard for Reformulated and Conventional Gasoline*, Panel Report, WT/DS2/R, adopted 20 May 1996, as modified by Appellate Body Report, WT/DS2/AB/R.

the actual effects of the contested measure in the marketplace.”⁴⁰

- Q33. *Is there a public policy requirement specific to GIs which underlies the requirement that a group or person must send a registration application under Regulation (EC) No. 2081/92 to the EC Member State or authorities of a third country in which the geographical area is located, rather than directly to the Commission? EC*
- Q34. *Is there a public policy requirement specific to GIs which underlies the requirement that a person wishing to object to a registration under Regulation (EC) No. 2081/92 must send an objection to the EC Member State or authorities of a third country in which he resides or is established, rather than directly to the Commission? EC*
- Q35. *Has an objection to the registration of a name under Regulation (EC) No. 2081/92 ever been filed by a person from a third country? If so, what happened? EC*
- Q36. *Has any person ever sent an objection to the registration of a name under Regulation (EC) No. 2081/92 to your authorities? If not, do you know the reason? If so, did your authorities transmit it to the EC Commission? USA, AUS*

Response:

66. As in the case of registrations, no U.S. government agency has established regulations or procedures to receive, process, or transmit objections to the registration of names under the EC GI Regulation. Therefore, U.S. persons have no means of raising objections within the meaning of Article 12b of the EC GI Regulation. After consulting with agencies to which such objections might have been presented, the United States is not aware of any formal objections being presented to it to be processed by the United States in accordance with the EC GI Regulation.

67. It is a matter of public record, however, that there are a considerable number of U.S. stakeholders that are negatively impacted by the registration of GIs in the EC, but who did not have the means to present their concerns or objections to the EC Commission. The United States attaches, as Exhibit US-39, a letter from U.S. Dairy Export Council and the National Milk Producers Federation to the Office of the United States Trade Representative, dated March 26, 2004, which states that because of the discriminatory nature of the GI Regulation, “dairy producers and processors have been unable to prevent the registration as protected GIs in the EU of a number of cheese types that had clearly become generic names before their registration.” This interferes with their ability to use food names that they have developed over a large number of years.

68. In addition, the EC has apparently registered three names from the Czech Republic as part of the accession protocol of the Czech Republic to the European Union.⁴¹ The registration of these names is of concern to a U.S. stakeholder, but the United States is aware of no available

⁴⁰ *United States – Tax Treatment for “Foreign Sales Corporations”*, Appellate Body Report, WT/DS108/AB/RW, adopted 29 January 2002, para. 215 (emphasis added).

⁴¹ These three names were provided as Exhibit COMP-3.c, paras. 18(a) - (b).

means for that stakeholder to object to the registration. Under Article 7 of the GI Regulation, an objection is based on a review of the application for registration of a name and the product specification that accompanies the application. In the case of these three names, there was no application for registration, and, as far as the United States is aware, no product specification. Indeed, repeated requests for a copy of any proposed product specification for these names have been rebuffed by the EC. Nor, as far as the United States is aware, was any application for registration made public by the EC under Article 6(1) and (2) of the GI Regulation. In sum, it appears that these names have been registered without any ability to object to them. Nor was there an ability to object to other names registered as GIs upon accession of new EC member States, or upon adoption of Regulation 2081/92. This is significant, since of the 612 GIs registered in the EC, 487, or 80 percent, were registered in this way.⁴²

Q37. Please indicate examples of other international arrangements, such as the Madrid Protocol, under which national governments cooperate by acting as agents or intermediaries in the protection of private rights. Which of these arrangements are established under international treaties and which under the legislation of one of the parties to the arrangement? Which are relevant to the matter before the Panel? USA, AUS, EC

Response:

69. There are a number of examples in which parties have voluntarily come together to mutually agree to facilitate the protection of private rights. Under the Madrid Protocol, the United States, like other Contracting Parties, agrees to provide a mechanism for U.S. trademark owners to file an international application through the United States Patent and Trademark Office (“USPTO”) that is then forwarded to WIPO, which sends the application to the national office of the Contracting Parties in which the applicant requested an extension of protection. This Protocol is a mechanism of mutual convenience for trademark owners to which the United States and other countries voluntarily agreed: instead of having to file applications in numerous countries, the trademark owner files one application, which is then forwarded to those countries (which, then process the application according to their domestic trademark law). This is not an example in which one WTO Member is requiring that trademark applications from nationals of another WTO Member be submitted to that Member, reviewed for compliance with the other Member’s trademark law, and then transmitted along with a demonstration that particular protection and enforcement regimes are in place in the territory of the national making the application.

70. Similarly, the Patent Cooperation Treaty (PCT) provides for a filing mechanism in which a patent applicant can file an international patent application with the patent office of the PCT Contracting State in which they reside, eventually enter national stage processing of the patent

⁴² The 487 GIs registered in this way are recorded in Commission Regulation 1107/96, as amended (Exhibit COMP-3(a)). The 125 remaining registered GIs are recorded in Commission Regulation 2400/96, as amended (Exhibit COMP-4(a)).

application, and thereby effectively apply for patent protection for an invention in each of the relevant Contracting States. Under the PCT, the applicant may obtain a non-binding search and examination of the application, but the final determination on patentability is made by, and under the national law of, each of the designated Contracting Parties. Once again, this is an agreed mechanism for the mutual convenience of the Contracting Parties' nationals: it is not a case of one WTO Member unilaterally requiring another Member to assess or ensure compliance with the first Member's patent laws, or to demonstrate the existence of any particular protection or enforcement mechanism within its territory.

71. Another example in the patent area is the Budapest Treaty, which provides that Contracting States allowing or requiring the deposit of microorganisms as part of a patent application shall recognize the deposit of a microorganism with any international deposit authority. As part of this treaty, the Contracting Parties also agree to a set of requirements with respect to those deposits. Again, this is not the case of one WTO Member requiring another Member to assess whether the deposit complies with the first Member's laws. To the contrary, the Contracting Parties have mutually agreed to a set of requirements with respect to these deposits. And again, there is no unilateral requirement that the other Member demonstrate to the first Member that it has put into place a particular protection or enforcement mechanism within its territory.

72. These examples are relevant for several reasons. First, they facilitate, rather than hinder, the ability of foreign nationals to seek intellectual property rights in the territories of other Treaty Members. Second, they recognize the validity of the underlying intellectual property right – as created in the territory of any Treaty Member. In other words, no Treaty Member is obligated to meet the standards of another Treaty Member to ensure that its nationals are eligible to seek and obtain protection in the territories of other Treaty Members. Further, in none of these agreements were WTO Members unilaterally imposing particular protection or enforcement regimes on another Member. Rather, recognizing that private parties seek protection for their private rights directly under the laws of the Member in which protection is sought, these agreements provide voluntary mechanisms for facilitating the pursuit of such protection.

Q38. If a group or person interested in a GI in your territory were to send an application for registration or objection to registration under Regulation (EC) 2081/92 to your authorities, would your Government be able and/or willing to transmit such an application to the EC Commission? If not, please explain why. USA, AUS

Response:

73. As an initial matter, the important question is not the willingness of the United States to transmit an application or objection, but whether, by requiring Members to do so the EC is making legal means available to all interested parties and is according no less favorable treatment to all U.S. nationals than it provides to EC nationals. As noted above, where "Member to Member" interactions exist, they are generally established as the result of a negotiated treaty – not as the result of the unilateral requirements of one Member.

74. This said, from a practical point of view, in the case of the United States, it would

probably not be difficult to designate an office in the U.S. government to perform a purely ministerial act of transmitting registration applications and objections to the EC. However, this fact alone is not particularly relevant, for several reasons. First, the fact that the United States may be able to set up such an office does not mean that all WTO Members would be in a similar position from a resource point of view. Nationals of countries who cannot be effectively barred from access to the EC system. Second, the fact that the United States would likely be willing to transmit all such documents does not mean that all WTO Members would. It may well be that, in order to avoid aggravating already difficult negotiations with the EC over GIs, for instance, other WTO Members would hesitate transmitting a controversial or politically sensitive registration application or objection.

75. Perhaps more significant, the EC GI Regulation does not simply require the transmission of applications and objections. Putting aside the fact that a WTO Member must first satisfy equivalence and reciprocity requirements under Article 12(3) of the GI Regulation before it can even apply for a GI Registration, Article 12a(2) of the GI Regulation would require the United States to (1) make a determination that the requirements of the GI Regulation are satisfied; (2) provide a description of the legal provisions and usage on the basis of which the geographical indication is protected or established in the United States; (3) make a declaration that the full inspection structures for agricultural products and foodstuffs are established in the United States (*i.e.*, the same inspection structures required of EC member States); and submit other documentation that would support the application. Aside from the fact that these are requirements that go beyond mere “transmission”, it is not even clear on what basis a U.S. government authority would be in a position to assess whether the application meets the requirements of the EC GI Regulation. Similar questions arise with respect to whether a person has standing under the GI Regulation to object to a GI registration, or whether the objection is sufficiently substantiated.

Q39. Does an EC member State participate in decision-making on a proposed registration either in the Committee established under Article 15 of Regulation (EC) No. 2081/92 or in the Council of Ministers, where that EC member State transmitted the application or an objection to it to the Commission? Is the EC member State identified with the applicant or person raising the objection in any way? Are there any limits on the participation of the EC member State - for instance, can it object to an application which it transmitted? EC

Q40. How many applications to register names under Regulation (EC) No. 2081/92 have been considered by the Committee established under Article 15 of the Regulation or the Council of Ministers? EC

Q41. In paragraph 137 of your first written submission, you indicate that the term "such names" in the second sub-paragraph of Article 12(2) of Regulation (EC) No. 2081/92 is a reference to the first sub-paragraph of Article 12(2), and that this means that the requirement to indicate the country of origin applies where "a protected name of a third country is identical to a Community protected name". Please clarify the meaning of the following terms, as used in Article 12(2) of Regulation (EC) No. 2081/92:

(a) *what is the meaning of the term "protected" in the phrase "a protected name of a third country"?*

(b) *does the phrase "a Community protected name" cover both names of geographical areas located in the EC as well as in third countries, registered under the Regulation?*

(c) *does the requirement to indicate the country of origin apply also where a name of a geographical area located in the EC is identical to a Community protected name (irrespective of whether this Community protected name is the name of a geographical area located in the EC or in a third country). EC*

Q42. *If Article 12(2) of Regulation (EC) No. 2081/92 applies to the registration of a name of a geographical area located in the EC that is identical to a name, already registered in the EC, of an area located in a third country, what is the difference in its scope compared to Article 6(6) of the Regulation? Why is it necessary to cover this situation in both provisions? EC*

Q43. *Where does Regulation (EC) No. 2081/92 provide for the registration of a name of a geographical area located in a third country WTO Member which is a homonym of an already registered name? Where does it provide for the registration of a name which is a homonym of an already registered name of a geographical area located in a third country WTO Member? EC*

Q44. *Can the EC provide the Panel with any official statement predating its first written submission that Article 12(2) of Regulation (EC) No. 2081/92 applies to names of geographical areas located in the EC and that Article 12(2) will be applied on the basis of the date of registration? EC*

Q45. *With respect to paragraph 135 of the EC's first written submission, could the Council of Ministers prevent a registration because the Commission applied Article 12(2) to names of geographical areas located in the EC on the basis of the date of registration? EC*

Q46. *Has a judicial authority ever ruled on the applicability of Article 12(2) of Regulation (EC) No. 2081/92? If the Commission applied Article 12(2) to the name of a geographical area located in the EC on the basis of the date of registration, could that action be subject to judicial review due to the fact that the area was located in the EC? EC*

Q47. *Are you aware of any GIs registered under Regulation (EC) No. 2081/92 that are identical or confusingly similar to Community protected trademarks owned by your own nationals? USA, AUS*

Response:

76. Those stakeholders with the strongest direct interest in trademark rights have a substantial concern that registered GIs can and will give rise to confusion with trademarks in the marketplace, and that the trademark owner would be powerless to prevent such use. Trademark

owners see a real threat in the GI Regulation. In this connection the United States would like to share with the Panel a written comment that the United States received on March 26, 2004, before this Panel was composed, from the International Trademark Association (INTA), which is attached as Exhibit US-45. INTA describes itself as a 126-year-old not-for-profit organization of more than 4000 members from more than 150 countries and the largest organization in the world dedicated solely to the interests of trademark owners. INTA expresses its concern, on behalf of its members, that the forced “coexistence” between trademarks and confusingly similar GIs in the GI Regulation, “which introduces consumer confusion into the marketplace and impairs the substantial investment made by trademark owners, is incompatible with the fundamental rules of exclusivity of the prior right as endorsed in Article 16 of the TRIPS Agreement and is highly discriminatory against trademarks”.

77. In addition, there are three registered geographical indications, set out in paragraph 18 of Annex II of the Czech Republic's Act of Accession (included as Exhibit COMP-3.c) that present concerns. The names are Budejovické pivo, Ceskobudejovické pivo and Budejovický mešt'anský var.

78. Based on these registrations, a Czech producer has claimed entitlement to use the names "Budweiser Budvar", "Budweis", and "Budbräu" on Czech beer sold in Sweden. In trademark infringement proceedings pending before the Swedish courts, a U.S. company holding prior valid registered Swedish trademarks for the names BUDWEISER, BUD and BUDWEISER KING OF BEERS has brought trademark infringement claims against the Czech producer, arguing that use by the Czech producers of "Budweiser Budvar", "Budweis", and "Budbräu" on Czech beer sold in Sweden raises a likelihood of confusion. In its defense, the Czech producer has argued that the GI registration recorded in paragraph 18 of Annex II of the Czech Republic's Act of Accession includes the right to use the registered GIs (Budejovické pivo, Ceskobudejovické pivo and Budejovický mešt'anský var) in translation, and that "Budweiser Budvar", "Budweis", and "Budbräu" constitute German translations of one or another of the three registered GIs.

79. Additionally, as noted at paragraph 50 of the United States' oral statement, there are many registered trademarks around the world that incorporate or sound like geographical names, which could give rise to a likelihood of confusion. For example, FARO is a registered Community Trademark used in connection with coffee and tea.⁴³ If the residents in the town of Faro, Portugal, begin to produce coffee or tea, and these products are registered pursuant to the GI Regulation, then the owner of the registered Community Trademark will be unable to prevent the rightholders of the Faro GI from using the Faro name in a manner that causes a likelihood of consumer confusion.

Q48. Would the United States pursue any claim in respect of Article 12(2) of Regulation (EC) No. 2081/92 if that provision only applies to identical names? USA

Response:

⁴³ EC OHIM Application No. 000957100 (Registered March 24, 2000). Exhibit US-46.

80. Yes. Although the United States submits that Article 12(2) appears to apply to all protected names of a third country, that provision is inconsistent with the national treatment obligations even if it applies only to third country names that are identical to protected EC name. In effect, under such a reading of Article 12(2) in the case of identical names, it is the third country GI, and not the EC GI, that must be burdened by a clear and visible indication of the country of origin on the label. This is a violation of national treatment obligations.

Q49. Do you seek separate rulings on the procedural aspects of Regulation (EC) No. 2081/92 or a ruling on the Regulation as a whole? For example, should the provision in Article 12(2) be examined in isolation, or would it be appropriate to adopt an approach like the Panel in Korea - Beef, which only examined a display sign requirement within its findings related to a system as a whole? USA, AUS, EC

Response:

81. The United States is seeking specific findings on each of the aspects of the EC GI Regulation it has raised, in order to assist in securing a positive result in this dispute.

Q50. In paragraph 451 of its first written submission, the EC argues that labels which address the geographical origin of a product cannot be considered a technical regulation under the TBT Agreement, since they do not apply to a "product, process or production method". Why in the EC's view is the geographical origin of a product not related to that product or its process or production method? Does the coverage of the TBT Agreement with respect to labels depend on the content of the labels? EC

Q51. How should the term "like products" be interpreted under Article 2.1 of the TBT Agreement? If the labelling requirement in Article 12(2) of Regulation (EC) No. 2081/92 applies to situations where identical names arise between imported products and EC products, but does not apply to situations where identical names arise between two EC products, to what extent would this be a distinction between "like situations" rather than a distinction between "like products"? AUS, EC

Q52. Does Australia allege that Article 12(2) of Regulation (EC) No. 2081/92 provides any less favourable treatment to imported products besides labelling costs? AUS

Q53. The EC argues in paragraph 88 of its first written submission that Article 12(2) of Regulation (EC) No. 2081/92 is meant to be read in the following way: "whichever indication is registered later would normally be required to indicate the country of origin." If the EC interpreted Article 12(2) this way in practice, would this satisfy Australia, or would Australia also view this interpretation as providing less favourable treatment to imported products? AUS

Q54. Article 12(2) of Regulation (EC) No. 2081/92 is designed to avoid "practical risks of confusion". How would the application of the country of origin label on the basis of a product's date of registration help avoid those risks of confusion? EC

*Q55. Does the TRIPS Agreement apply as *lex specialis* as regards GATT 1994 and the TBT*

Agreement, with respect to a practical condition to differentiate homonymous or identical GIs on a label? Please comment in the light of Article 23.3 of the TRIPS Agreement, which is applicable to homonymous GIs for wines, and the national treatment obligation, which is applicable to GIs for other products. USA, AUS, EC

Response:

82. WTO Members must comply with each of the obligations that apply with respect to homonymous or identical GIs – whether the TRIPS Agreement, GATT 1994, or the TBT Agreement. Where the TRIPS Agreement provides, for instance, in Article 23.3 that Member should determine the practical conditions under which homonymous wine indications will be differentiated from each other, such differentiation should not result in less favorable treatment of nationals of other WTO Members with respect to the protection of GIs, and should not result in less favorable treatment of products from other WTO Members. As the Appellate Body has made clear on several occasions, different treatment is not necessarily less favorable treatment.

Q56. With reference to paragraphs 17-21 of the US oral statement, does the Panel need to consider the US arguments concerning the declaration under Article 12a(2) of Regulation (EC) No. 2081/92 and the inspection structures, if it reaches a conclusion on the applicability to WTO Members of the equivalence and reciprocity conditions in Article 12(1)? USA

Response:

83. Yes, the Panel should consider the U.S. argument with respect to the required declaration and the inspection structures regardless of its findings with respect to the applicability to WTO Members of the equivalency and reciprocity conditions. The reason is that if the Panel finds that the GI Regulation requires WTO Members to comply with the reciprocity and equivalence conditions specified in the Regulation (rejecting the unsupported opinion of the Commission), and further finds that these conditions are inconsistent with WTO obligations, the EC could simply amend the regulation to remove these conditions in Article 12(1), with the result that the equivalence requirement imposed through the inspection structure requirement in Article 12a(2) might remain. It is important to a resolution of this dispute, therefore, that the Panel make a finding as to the EC requirement that the United States adopt the same inspection structures as are required of EC member States.

84. In addition, the arguments concerning the declaration and the inspection structures are also relevant to the argument that requiring the intercession of the U.S. government is itself inconsistent with national treatment and with Article 22.2 of the TRIPS Agreement, which is separate from the argument that requiring reciprocity and equivalence is inconsistent with national treatment obligations.

Q57. Does the EC consider that it may apply equivalence and reciprocity conditions to WTO Members under Article 12a(2) or any other provision of Regulation (EC) No. 2081/92, even if Article 12(1) does not apply to them? EC

Q58. Please clarify whether your claim is that the requirement of the existence of an inspection

structure as a condition for the registration of a GI is inconsistent with WTO obligations per se, or the particular inspection structures requirements under Regulation (EC) No. 2081/92, are inconsistent with the EC's WTO obligations. In the latter case, please specify in detail which aspects of the inspection structures required under the Regulation are inconsistent with the EC's WTO obligations. USA, AUS

Response:

85. Dictating that a Member have a particular inspection structure to (1) enforce agricultural product and foodstuff GIs in general in the United States, and (2) ensure compliance with the requirements of the EC GI Regulation, is itself inconsistent with the EC's WTO obligations. Such a unilateral requirement by the EC is not related to the question of whether the product for which GI protection is sought in the EC qualifies for that protection under the specifications submitted under the GI Regulation for that product. Indeed, the particular method chosen by another WTO Member to enforce GI rules in its territory is not relevant to such a determination.

- Q59. *Under what circumstances would the Commission consider the holder of a GI certification mark registered in another WTO Member to meet the requirements for inspection structures under Article 10 of Regulation (EC) 2081/92 (read together with Article 12a of that Regulation)? EC*
- Q60. *Australia argues that the EC's inspection structures requirements are a technical regulation under the TBT Agreement (paragraphs 209-224 of its first written submission). Is there a dividing line under the TBT Agreement between a technical regulation and a conformity assessment procedure? If so, where does it lie? AUS, EC*
- Q61. *If the inspection structures are conformity assessment procedures, are the eligibility criteria for registration under Regulation (EC) No. 2081/92, against which conformity is assessed, technical regulations? AUS, EC*
- Q62. *With respect to paragraph 259 of Australia's first written submission, can Australia provide examples of alternatives to the EC's inspection structures which would be less trade restrictive and achieve the same objective? AUS*
- Q63. *What does Article 14(2) of Regulation (EC) No. 2081/92 mean where it provides that a prior trademark "may continue to be used"? Can a trademark owner invoke the rights conferred by the trademark registration against the user of a GI used in accordance with its GI registration? EC*
- Q64. *Does Article 14(2) of Regulation (EC) No. 2081/92 implement the provision in Article 24.5 of the TRIPS Agreement that measures adopted to implement the Section on GIs shall not prejudice "eligibility for or validity of the registration of a trademark, or the right to use a trademark" or does it only implement the provision that such measures shall not prejudice "the right to use a trademark"? EC*
- Q65. *Does the scope of Article 14(2) of Regulation (EC) No. 2081/92, as drafted, include trademarks applied for or registered, or to which rights have been acquired, subsequent*

to both dates set out in Article 24.5(a) and (b) of the TRIPS Agreement? **EC**

Q66. *Has Article 14(2) of Regulation (EC) No. 2081/92 ever been applied in a specific case? For example, what did the national courts finally decide in the Gorgonzola case, referred to in Exhibit US-17 and in footnote 140 to paragraph 163 of the US first written submission, after the order of the European Court of Justice? EC*

Q67. *Does Article 14(3) of Regulation (EC) No. 2081/92 affect the possibility of coexistence of GIs already on the register with prior trademarks, such as Gorgonzola? In these cases, is Article 14(3) relevant to the applicability of Article 14(2)? EC*

Response:

86. In the view of the United States, Article 14(3) does not affect the possibility of "coexistence" of GIs already on the register with prior trademarks. The EC argues that "geographical names" are generally not distinctive and, therefore, not often apt for registration as trademarks.⁴⁴ This argument attempts to minimize the violation of TRIPS Article 16.1 by arguing that few trademarks that contain or consist of a GI are registrable, and thus that there will rarely be a conflict between a trademark that contains or consists of a GI and an identical or similar GI. Even if the Panel were to accept that the potential set of trademarks is small, however, those trademarks that are validly registered would potentially fall in the category of trademarks subject to "coexistence" under Article 14(2).

87. As the United States stated at the first meeting,⁴⁵ Article 14(3) of the GI Regulation does not entirely satisfy the obligations under Article 16.1 of the TRIPS Agreement. First, Article 16.1 articulates a right that is owed under the TRIPS Agreement to the owner of any valid registered trademark, while Article 14(3) comes into play (and does so only through action by the EC) only where there exists a trademark with a reputation, renown, and history of use. Second, it is not necessarily possible, at the time of registration of the GI, for the trademark owner to know from the GI registration itself whether the use of the GI will be confusing. For example, a registered GI may unexpectedly be used in translation, or in a manner that emphasizes certain aspects or letters of the geographical name, in a way that causes a likelihood of confusion with respect to a registered trademark. By the time a registered trademark owner realizes that a registered GI is being used in a manner that causes a likelihood of confusion with respect to the trademark, however, it may be too late to challenge the registration under Article 14(3). Third, as explained in the U.S. response to Question 36, GIs may be registered outside the scope of the established procedures under the GI Regulation, such as through an accession treaty, in a manner that precludes any objections based on Article 14(3) or any other provision of the GI Regulation.

Q68. *Article 14(3) of Regulation (EC) No. 2081/92 mentions certain criteria. If these are not exhaustive, why does it not expressly stated as in Articles 3(1), 4(2) and 6(6) of the Regulation? Do other criteria, such as similarity of signs and goods fall within*

⁴⁴ E.g., EC First Written Submission, para. 279.

⁴⁵ See Oral Statement by United States, paras. 51-55

"reputation and renown"? Is the criterion of "length of time [a trade mark] has been used" relevant to its liability to mislead if the trademark has not been used for a significant, or considerable, length of time? EC

Q69. Can the EC provide the Panel with any official statement predating its first written submission that application of the grounds for registration, invalidity or revocation of trademarks and Article 14(3) of Regulation (EC) No. 2081/92 will or should be applied in such a way as to render Article 14(2) inapplicable? EC

Q70. Do the EC member States agree with the Commission's submission to this Panel that the terms of Article 14(3) of Regulation (EC) No. 2081/92, if properly interpreted, are sufficient to prevent the registration of any confusing GIs? Could the EC member States apply national trademark laws in a way that made this impossible? Could the Council of Ministers prevent the application of Article 14(3) of the Regulation if proposed by the Commission in a specific case and apply Article 14(2)? EC

Q71. Has a judicial authority ever ruled on the interpretation of Article 14(3) of Regulation (EC) No. 2081/92? If Article 14(3) of the Regulation, the Community trademark regulation and national trademark laws were applied in such a way as to prevent the registration of GIs that were confusing with a prior trademark, could this be subject to judicial review? EC

Q72. The Panel notes the responses of Members to the Checklist of Questions in document IP/C/W/253/Rev.1 cited by the EC in footnote 150 of its first written submission, which show that there are diverse approaches taken by several Members to accommodate possible conflicts between GIs and prior trademarks. Would this mean that the TRIPS Agreement, in particular Article 24.5, allows for some degree of flexibility for individual WTO Members to implement their obligations? USA, AUS

Response:

88. The TRIPS Agreement does allow for a certain amount of flexibility in implementing obligations. As Article 1.1 of the TRIPS Agreement states, "Members shall be free to determine the appropriate method of implementing the provisions of this Agreement within their own legal system and practice."

89. However, Article 1.1 is equally clear that Members are to give effect to the provisions of the TRIPS Agreement, and that Members may implement more extensive protection than is required provided that such protection does not contravene the provisions of the Agreement. One such provision that may not be contravened is Article 16.1. A Member must, under Article 16.1, grant trademark owners the right to exclude all others from using identical or similar signs that result in a likelihood of confusion. Similarly, a Member must observe its obligations under Articles 22.2 and 22.3. As the United States explains in response to question 79, there is nothing inconsistent or mutually exclusive about these obligations. In determining what "flexibility" to grant WTO Members, the Panel should adopt an interpretation that gives each provision its full scope, in light of the presumption in public international law against conflict between

obligations.⁴⁶

90. Further, the United States notes that the referenced document discusses conflicts between trademarks and GIs in general terms, and generally with respect to the issue of whether a GI will be registered. It does not, however, address a key question that is before the Panel: regardless of whether a GI is registered or not, does the trademark owner retain his Article 16.1 rights to prevent uses of similar or identical signs that give rise to a likelihood of confusion. The EC essentially argues that Article 22 supersedes Article 16.1 in importance (although the EC also supports the contrary argument by saying that – under TRIPS – GI rights do not supercede trademark rights; thus it is not entirely clear what the EC’s actual position is), and then supports this argument by suggesting that the U.S. wine labeling system provides for “co-existence.” The issue, however, is the right of trademark owners to prevent confusing uses of his signs. Under U.S. law, consistent with the requirements of Article 16.1 of the TRIPS Agreement, the United States provides the legal means for the owners of registered trademarks to prevent infringing uses of signs. *See also* response to question 3 from the European Communities.

Q73. *Please supply a copy of the wine regulations referred to in paragraph 16 of the EC oral statement. EC*

Q74. *Which particular GIs did the EC protect under Regulation (EC) No. 2081/92 prior to 1 January 1995? Is Article 24.3 of the TRIPS Agreement relevant to any other GIs? EC*

Q75. *Which party bears the burden of proof in relation to:*

(a) *Article 24.5 of the TRIPS Agreement? In particular, does this relate to the scope of the obligation in Article 16.1? Does it create an exception for measures otherwise covered by Article 16.1? Or neither?*

Response:

91. Since the EC is arguing that Article 24.5 is an affirmative defense to the U.S. claims that the GI Regulation is inconsistent with the EC’s obligations under Article 16.1 of the TRIPS Agreement (that is, that Article 24.5 is an exception to Article 16.1), it is the EC, as the party asserting the defense, that bears the burden of proof. As the Appellate Body noted in *Japan – Apples*, “although the complaining party bears the burden of proving its case, the responding party must prove the case it seeks to make in response.”⁴⁷

92. The United States notes, however, that, in its view, Article 24.5 is not an exception to the obligations in Section 2: Trademarks, which includes Article 16.1; rather it is an exception to the obligations in Section 3: Geographical Indications. See also Response to question 78 below.

(b) *Article 17 of the TRIPS Agreement? In particular, does this only permit exceptions to the rights conferred by a trademark, or does it also create an exception to*

⁴⁶ Panel Report, *Indonesia - Autos*, para. 14.28.

⁴⁷ Para. 154.

the obligations imposed on Members? USA, AUS, EC

Response:

93. As the party asserting that its GI Regulation falls within the Article 17 exception, it is the EC, as the party asserting the defense, that bears the burden of proof. As the Appellate Body noted in *Japan – Apples*, “although the complaining party bears the burden of proving its case, the responding party must prove the case it seeks to make in response.”⁴⁸

94. Article 17 of the TRIPS Agreement permits Members to provide limited exceptions to the rights conferred by a trademark, such as fair use of descriptive terms. However, the Members, in providing for such exceptions to trademark rights, must ensure that they are limited, and must ensure that any such exceptions take account of the legitimate interests of the owner of the trademark and of third parties. Indeed, as the United States explained in its oral statement, the exception to Article 16.1 rights in the EC GI Regulation is not limited and it does not take into account the legitimate interests of the trademark owner or of third parties. As the United States noted in its oral statement, at paragraph 75, it is possible to inform consumers about the origin of a product and its characteristics through the use of descriptive terms in a non-trademark sense without affirmatively confusing the consumer about the source of the goods. It is possible in this sense simultaneously to protect the legitimate interests of the consumer, the GI owner and the trademark owner. The GI Regulation makes no such distinctions, but simply offers a broad immunity from a finding of trademark infringement based purely on whether a particular GI has been registered.

95. Article 14(2) of the GI Regulation, which the EC asserts meets the strict requirements of Article 17 of the TRIPS Agreement, automatically and in every case (according to its terms) divests a trademark owner of its right to prevent use of an identical or similar registered GI in a way that raises a likelihood of confusion. This is so even if the trademark owner could demonstrate that the particular use of the GI at issue does not qualify as “fair use of [a] descriptive term[.]” Under Article 14(2), the EC adopts an irrebutable presumption that a registered GI’s use will, in all cases, without consideration of the particular circumstances, constitute “fair use of descriptive terms.” In the view of the United States, this is not a limited exception.

96. Finally, even under the EC’s own interpretation of TRIPS Article 17, the EC fails to acknowledge that non-geographic names are subject to registration under Article 2(3) of the GI Regulation (e.g., Feta). Nothing in the EC’s interpretation explains how the Article 17 fair use exception applies to non-geographic names.

Q76. Article 24.5 of the TRIPS Agreement uses the phrases “validity of the registration of a trademark” and “the right to use a trademark”. Please set out your interpretation of these phrases, in accordance with the general rule of treaty interpretation in Article 31 of the Vienna Convention on the Law of Treaties and, if appropriate, the supplementary

⁴⁸ Para. 154.

*means in Article 32. Please explain how you determine what is the relevant context.
USA, AUS, EC*

Response:

"validity of the registration of a trademark"

97. As the United States explained in paragraphs 61-62 of its oral statement, the prohibition on prejudicing the "validity of the registration of a trademark," within the meaning of Article 24.5, requires Members to provide Article 16.1 rights to the trademark owner at issue. If a trademark remains registered, then, under Article 16.1, the owner of that registered trademark must be given its Article 16.1 rights.

98. The ordinary meaning of validity is "[t]he quality of being (esp. legally) valid,"⁴⁹ where "valid" refers to something "[p]ossessing legal authority" or "legally acceptable or binding."⁵⁰ Registration means "[t]he action of registering or recording,"⁵¹ and to "register" means to "[f]ormally enter or cause to be entered . . . in a particular register."⁵² Therefore, under the ordinary meaning of these terms, the "validity of the registration" refers to the possession of legal authority accorded by virtue of the entrance of a trademark in a register. Thus, the meaning of "validity of the registration of a trademark" must be read in connection with the legal authority accorded by trademark registration, which is the right provided for in Article 16.1, in addition to rights under domestic law. Article 16.1 demonstrates the clear link between registration and the legal authority that must be accorded the trademark owner by the registration – the right to prevent all others from using a similar or identical sign that causes a likelihood of confusion. Trademark registration is virtually meaningless without the associated Article 16.1 rights.

99. Moreover, as the United States has explained in its oral statement,⁵³ TRIPS negotiating history reveals that the language of Article 24.5 evolved from a simple prohibition against invalidation of registration (in the Brussels Draft) to a requirement that Members not even "prejudice" the validity of the trademark registration.⁵⁴ This is a more stringent requirement, as the ordinary meaning of the term "prejudice" is "injury, damage, harm,"⁵⁵ while the earlier version simply prevented complete eradication of the mark. Thus, the addition of the word "prejudice" means that Article 24.5 protects more than just the removal of a trademark from the register, as the EC argues. At a minimum, it must prevent Members from eliminating the core right of a trademark registration – the Article 16.1 right to prevent all others from confusing use.

⁴⁹ New Shorter Oxford English Dictionary, p. 3541. Exhibit US-47.

⁵⁰ New Shorter Oxford English Dictionary, p. 3541. Exhibit US-47.

⁵¹ New Shorter Oxford English Dictionary, p. 2529. Exhibit US-47.

⁵² New Shorter Oxford English Dictionary, p. 2528. Exhibit US-47.

⁵³ Oral Statement of the United States, para. 64 - 65, Exhibit US-25.

⁵⁴ Exhibit US-25.

⁵⁵ New Shorter Oxford English Dictionary, p. 2333. Exhibit US-47.

100. Article 15.1 of the TRIPS Agreement also provides relevant context, as it requires that the only signs "capable of constituting a trademark" are signs that are "capable of distinguishing the goods or services of one undertaking from those of other undertakings". Without the ability to exercise the Article 16.1 rights to prevent all others from confusing uses, the trademark may lose this ability to distinguish, and therefore may no longer be "capable of constituting a trademark."

101. Thus, the loss of the ability to distinguish goods or services certainly prejudices the "validity of the registration of a trademark."

"the right to use a trademark"

102. Beginning with the ordinary meaning, "right" refers to "[t]he standard of permitted and forbidden activity".⁵⁶ "Use" is defined as the "application or conversion to some purpose."⁵⁷ Thus, the ordinary meaning of "prejudice . . . the right to use" is the harm or damage to the permitted or forbidden activity associated with application of a trademark to its purpose. From the context provided by Articles 15.1 and 16.1, the purpose of a trademark is to allow its owner to distinguish the owner's goods from the goods of others. Under Article 15.1, any sign or combination of signs capable of distinguishing the goods or services of one undertaking from those of another must be capable of constituting a trademark. Under Article 16.1, the owner of a registered trademark must "have the exclusive right to prevent all third parties . . . 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." Further, Article 16.1 provides that this obligation does not affect the possibility of making rights available on the basis of use.

103. A contextual consideration in interpreting this phrase is that the chapeau to Article 24.5 refers to certain trademarks "applied for or registered", and the chaussette states that measures shall not prejudice "eligibility for or the validity of the registration of a trademark"; further, the chapeau also refers to certain trademarks whose rights "have been acquired through use", and the chaussette refers correspondingly to the obligation not to prejudice the "right to use" a trademark. Contextually, particularly considering that Article 16.1 specifically anticipates Members making trademark rights (*e.g.*, the right to exclude others) available based on use, there is support for an interpretation that the "right to use a trademark" refers, at least in part, to the right provided for under a Member's national law to acquire and continue to maintain trademark rights through use. In this way, both phrases in this question – the "validity of the registration of a trademark" and the "right to use a trademark" refer to the right of the owner of the trademark to exclude others from using similar signs (*i.e.*, to be able to distinguish his goods from the goods of others), and the requirement of Article 24.5 is not to prejudice this right to exclude others.

104. There is support for this reading in the negotiating history. The predecessor provision to Article 24.5, Article 24.2 of the Brussels Draft, of November 1990, contained only an obligation

⁵⁶ New Shorter Oxford English Dictionary, p. 2598. Exhibit US-47.

⁵⁷ New Shorter Oxford English Dictionary, p. 3531. Exhibit US-47.

not to take action to refuse or invalidate the registration of certain trademarks, with no reference to use. By the time of the Dunkel Draft, a year later, in December 1991, the inclusion of trademarks “acquired through use” in the chapeau appears at the same time as the obligation in the chaussette not to prejudice the “right to use a trademark”.

105. However, “the right to use a trademark” is not specifically limited in the text to trademarks whose rights are acquired through use (although it would appear to include such trademarks). Rather the obligation not to prejudice the right to use a trademark – to harm or damage the permitted or forbidden activity associated with application of a trademark to its purpose – would include an obligation with respect both to registered and non-registered trademarks not to damage the ability to use the trademark to distinguish the goods of the owner from the goods of others. In this sense, too, not prejudicing the right to use the registered trademark means not prejudicing the ability of the owner of the registered trademark to use his trademark to distinguish his goods from the goods of others. Plainly, if the owner cannot exclude others from confusing uses of identical or similar signs, the owner’s ability to use the trademark for its purpose is severely prejudiced.

*Q77. Article 24.5 of the TRIPS Agreement uses the phrase "right to use" a trademark. Why did the drafters not choose to state, for example, "exclusive rights" or "rights under Article 16.1"? Is that fact relevant to interpretation of the phrase "right to use" a trademark?
USA, AUS, EC*

Response:

106. As suggested in the response to question 76, the phrase “right to use a trademark” references trademarks whose rights are “acquired through use”, as set out in the Article 24.5 chapeau, and also the right to use a trademark for its purpose, *i.e.*, to distinguish the trademark owner’s goods from the goods of others. It accurately describes the scope of the exception to GI protection. A reference to “exclusive right to use” would have been confusing, because the specific “exclusive right” in Article 16.1 is the right to exclude, not the right to use *per se*.⁵⁸ A simple reference to “exclusive rights”, without the reference to use, would have been duplicative of the obligation not to prejudice the validity of the trademark, and also would not have clearly addressed the issue of trademarks acquired through use. Finally, simply referring to the “rights under Article 16.1” would also have been confusing, because there are three sets of rights described in Article 16.1: the right to exclude others from confusing uses, in the first sentence; “existing prior rights” in the first half of the third sentence; and the “rights” made available by Members on the basis of use, in the second half of the third sentence.

Q78. With reference to paragraph 58 of the US oral statement, Article 24.5 of the TRIPS Agreement refers to trademarks; certain Members implement GI obligations through collective and certification marks; Article 25.2 refers to more than one category of intellectual property, as does Article 4 of the IPIC Treaty as incorporated by Article 35 of the TRIPS Agreement. Therefore, must the provisions dealing with each category of

⁵⁸ With respect to patents, Article 28 uses the word “exclusive” in a similar manner.

intellectual property covered in Part II of the TRIPS Agreement be restricted to one Section? Can the rights conferred by a category of intellectual property and an exception to them appear in different Sections of Part II? USA, AUS

Response:

107. As the United States has noted, Article 24.5 is a clearly-labeled "exception" to the protection of geographical indications in Part II, Section 3 of the TRIPS Agreement. It is not an exception to trademark protection, which appears in Part II, Section 2.

108. The United States would not extrapolate the interpretation of this specific provision to a broad conclusion that the provisions dealing with each category of intellectual property covered in Part II of the TRIPS Agreement must be restricted to its own section. Provisions that appear in one section of Part II, but that explicitly address rights related to another section of Part II, must, of course, be given effect. By contrast, the United States does not believe that a clearly-labeled "exception" to the scope of protection for a right defined in one section can be considered an "exception" to the scope of protection for a different right defined in another section.

109. In other words, a provision listed under the heading "exception" in a particular section logically carries with it the strong presumption that it is an exception to the scope of protection for the right defined in the section in which it appears. An "exception" excepts or "exempts" something from "the scope of a proposition."⁵⁹ The "scope of the proposition" in a given section of Part II of the TRIPS Agreement must refer to the scope of protection accorded by the provisions of that section. Thus, an "exception" to the geographical indication section (Section 3) is an exception to the obligations with respect to geographical indications under that section. This would appear particularly to be the case where, as here, each section of Part II of the TRIPS Agreement has its own exception provision.

110. By contrast, in the case of "transitional arrangements," which appear in an individual "Part" of the TRIPS Agreement, the logical presumption is that the provisions are not limited to any one part or section unless otherwise indicated. Suppose, instead, that each section of Part II of the TRIPS Agreement had its own individual section entitled "transitional arrangements." The presumption in that case would be that the transitional arrangements apply to each individual section, whether it be for trademarks, patents, copyrights, etc. This is the way in which the "exceptions" have been drafted.

111. The Appellate Body has interpreted provisions based on their place in the overall structure of the covered agreement at issue, giving careful consideration to the headings or titles of the sections in which the provisions appear. In *Canada - Dairy*, the Appellate Body stated that:

A strong presumption arises that the language which is inscribed in a Member's Schedule under the heading, "Other terms and Conditions", has some *qualifying*

⁵⁹ New Shorter Oxford English Dictionary at p. 872 (see definitions of "except" and "exception"). Exhibit US-47.

or *limiting* effect on the substantive content or scope of the concession or commitment.⁶⁰

112. This is equally true of a heading "exceptions." An "exception" provision to the geographical indications section should therefore be interpreted to limit the protection otherwise granted to geographical indications.

113. Apart from the placement of Article 24.5 in Section 3 of Part II, the United States has also noted that Article 24.5 does not substantively provide an exception to the scope of protection for trademarks set out in Article 16.1. The exceptions to the trademark rights are explicitly provided for in Article 17. Rather, it provides a "shield" against anything in the GI Section that could adversely affect grandfathered trademarks.

Q79. Is there a conflict between Articles 16.1 and 22.3 of the TRIPS Agreement? How may a Member avoid or resolve any potential conflict? USA, AUS

Response:

114. The United States does not believe there is a conflict between Articles 16.1 and 22.3 of the TRIPS Agreement. The obligations are not mutually exclusive and both can be implemented by a Member in a way that gives each its full scope. As the United States noted at paragraph 133 of its first written submission and paragraphs 41-42 of its oral statement, the TRIPS Agreement contains obligations to provide trademark and GI owners the right to exclude others from certain uses of signs or indications. The right for trademark owners, under Article 16.1, is the right to exclude all others from using identical or similar signs in a way that results in a likelihood of confusion. Under Article 22.3, trademarks that mislead consumers in a given territory as to the origin of goods should be refused registration or, if they are registered, subject to invalidation. Both of these provisions can and should be interpreted in a way that does not presume a conflict between them, based on the presumption in public international law against conflict.⁶¹ If a trademark is misleading to consumers in a given territory, it may be refused registration. If registered, however, and if it is not subject to invalidation, it must provide its owner the legal basis to exclude others within the territory from the confusing use of identical or similar signs.

Q80. Are any exceptions permitted to exclusive trademark rights under your domestic law for concurrent registrations, honest concurrent use or comparative advertising? If so, are these limited to other trademarks? Can they cover GIs? USA, AUS

Response:

⁶⁰ *Canada - Measures Affecting the Importation of Milk and the Exportation of Dairy Products*, WT/DS103/AB/R (adopted 27 October 1999), para. 134 (emphasis in original).

⁶¹ As recognized by the Panel in *Indonesia - Autos*, at 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," including all the provisions of the TRIPS Agreement, "were negotiated at the same time, by the same Members and in the same forum."

115. The United States provides for several defenses to trademark infringement actions. Sections 33(b)(5) and (6) of the Lanham Act provide for what might be called honest concurrent use of two trademarks, but it should be emphasized that in the United States, concurrent use is allowed only to the extent that the marks are used in commerce in two different geographic areas within the United States. To allow for concurrent use of the two marks in the same area by two different owners would likely cause consumer confusion as to the source of the goods.

116. Section 33(b)(5) specifically refers to a situation where prior common law rights have been established in a particular limited area that conflict with a later federally registered trademark. This can lead to a court-ordered "concurrent use" of the two marks, but – as mentioned above – in different geographic areas within the United States.⁶² Section 33(b)(6) refers to a situation where a registered mark owner charges that an earlier registered mark infringes the later registered mark and the court can order concurrent use registrations. Again, such concurrent use would only be allowed in different geographic areas in the United States.⁶³

117. In the United States, these rules cover GIs, since GIs are also protected in the United States through the certification and collective mark system.

118. In addition, Section 33(b)(4) of the Lanham Act provides for a defense based on fair use of descriptive terms, *e.g.*, the use of an individual's name or a descriptive term including of geographic origin.⁶⁴ The descriptive terms that are covered by the "fair use" defense cannot be used as trademarks, *i.e.*, to distinguish the goods of one undertaking from those of other undertakings. The trademark in a descriptive term attaches only to the specialized, secondary meaning that a word has acquired, and not to its original, primary descriptive context. The fair use defense gives practical force to that distinction by protecting the public's right to continue using the primary descriptive value of words and thus to use that aspect of a word that falls

⁶² 15 USC §1115(b)(5), Section 33(b)(5) of the Lanham Act, reads: "That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to (A) the date of constructive use of the mark established pursuant to section 7(c), (B) the registration of the mark under this Act if the application for registration is filed before the effective date of the Trademark Law Revision Act of 1988, or (C) publication of the registered mark under subsection (c) of section 12 of this Act: Provided, however, That this defense or defect shall apply only for the area in which such continuous prior use is proved...."

⁶³ 15 USC §1115(b)(6), Section 33(b)(6) sets forth another defense to infringement: "That the mark whose use is charged as an infringement was registered and used prior to the registration under this Act or publication under subsection (c) of section 12 of this Act of the registered mark of the registrant, and not abandoned: Provided, however, that this defense or defect shall apply only for the area in which the mark was used prior to such registration or such publication of the registrant's mark...."

⁶⁴ 15 USC §1115(b)(4), Section 33(b)(4) of the Lanham Act, sets forth the defenses to a claim of infringement that include: "that the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin...."

outside the scope of the trademark. The central purpose of the fair use defense, in other words, is to protect the particular descriptive usages that are not covered by the trademark and thus are not, by definition, infringing uses.

119. In any case, “fair use” requires a case-by-case determination of entitlement to the limited exception, upon challenge by a trademark owner. For example, in *Schafer Co. v. Innco Management Corp.*, 797 F.Supp. 477 (E.D. N.C. 1992), aff'd 995 F.2d 1064 (4th Cir. 1993), the owner of the SOUTH OF THE BORDER trademark (associated with a theme park located south of the border between North Carolina and South Carolina) challenged the use by a motel owner of the words "Border Exit" and "South of Border Exit" on highway billboards that directed drivers to the motel. In defense, the motel owner raised the fair use defense, based on the fact that "South of the Border" is generally known as the name of the town surrounding and including the trademark owner's theme park.

120. The court first described the limits of the fair use exception under U.S. law as follows:

[The user invoking fair use] must adapt and design his usage of the geographical term so as not to cause a likelihood of customer confusion.⁶⁵

Then, with respect to the particular use of "Border Exit", the court proceeded to examine the facts of the particular case at issue, in the following manner:

The phrase "Border Exit" accurately describes the location of the exit--Exit 1, either A or B--which travelers must take to reach defendant's motel. It does not purport to serve as a symbol of defendant's establishment or services. Nor does it in any way suggest to the traveling public that defendant's establishment is somehow connected with plaintiffs' establishment.

Moreover, defendant has adapted its design and usage of "Border" so as not to confuse the traveling public. First, "Border" modifies "Exit," a geographical term, rather than a service defendant provides. Second, the visual depiction of "Border" on defendant's billboards does not resemble the visual depiction of "Border" on any of plaintiffs' billboards. Finally, prominently displayed on the left half of each of defendant's billboards is defendant's tradename "Family Inns of America" and its logo. Nothing in the record suggests that defendant's use was anything other than a good-faith attempt to point travelers on I-95 in its direction, and § 1154(b)(4) permits defendant to do that without infringing upon plaintiffs' mark.⁶⁶

Similarly, the court found that the use of "South of Border" on the exit signs also constituted fair use.⁶⁷

⁶⁵ *Schafer Co. v. Innco Management Corp.*, 797 F.Supp. at 481 (internal citations omitted).

⁶⁶ *Schafer Co. v. Innco Management Corp.*, 797 F.Supp. at 481 (internal citations omitted).

⁶⁷ *Schafer Co. v. Innco Management Corp.*, 797 F.Supp. at 481, 482.

121. Under the law of the United States, the defense of "comparative advertising" is a form of the defense of fair use. Comparative advertising is advertising that compares the relative qualities of competitive goods or services. As long as a competitor's trademark is used fairly and in good faith and only to describe or make reference to the goods or services of the trademark owner, such fair use in the form of comparative advertising will be available as a defense. This unauthorized use of a competitor's trademark can occur so long as the advertising does not contain misrepresentations or create a likelihood that purchasers will be confused as to source, identity, or sponsorship of the advertiser's product.

Q81. Please cite any authority for the proposition that a Member must comply with a particular WTO obligation through a single measure applicable throughout its territory. Is your claim concerning an "EC-wide" level of protection based on the fact that the EC's member States are also WTO Members? USA

Q82. If the Panel were to uphold the complainants' claims under Article 16.1 of the TRIPS Agreement, how would conclusions with respect to the claims under Articles 1.1, 22.2, 24.5, 41.1, 41.2, 41.3 and 42, and under Articles 10bis(1) and 10ter(1) of the Paris Convention (1967) provide an additional contribution to a positive solution to this dispute? USA, AUS

Response:

122. Whether the Panel agrees or disagrees with the United States with respect to its Article 16.1 claim, conclusions with respect to the other U.S. claims – in particular the claim under Article 22.2 that legal means are not being made available to interested parties and the failure to provide enforcement procedures related to such means – would assist the Parties in understanding the actions that the EC would need to take to bring its measure into conformity with its WTO obligations.

Q83. If the Panel were to reject the complainants' claims under Article 16.1 of the TRIPS Agreement, would there be any scope for it to uphold the claims under Articles 1.1, 22.2, 24.5, 41.1, 41.2, 41.3 and 42, and under Articles 10bis(1) and 10ter(1) of the Paris Convention (1967)? USA, AUS

Response:

123. Yes, the United States believes, for instance, that whether or not the GI Regulation is inconsistent with the EC's obligations under Article 16.1, the EC must nevertheless provide the legal means under Article 22.2 for interested parties to prevent the uses described in that Article, and must provide enforcement procedures with respect to those rights.

Q84. Are the procedures raised in the United States' claims under Article 22.2 of the TRIPS Agreement governed by Part IV of the TRIPS Agreement? If so, can they also be governed by Part II? USA

Response:

124. Article 22.2, in Part II of the TRIPS Agreement, requires that Members provide interested

parties with the legal means to prevent certain uses, *inter alia*, of certain signs and indications. If those means are not provided, and the United States submits they are not, then there is an inconsistency with Article 22.2. It should be noted that fulfilling this obligation may or may not result in the acquisition or maintenance of intellectual property rights, *e.g.*, in the case of the ability to object to a registration.

125. It may also be true that procedures for acquiring and maintaining intellectual property, such as GIs, are inconsistent with Part IV, for instance, because, under Article 62.2 of the TRIPS Agreement, the registration process does not result in a registration being granted in a reasonable period of time. But the United States is not raising any such claims under Part IV in this dispute.

126. It does not appear that a claim of inconsistency would have to come within the scope of Part IV or of Part II, and cannot come within the scope of both. Notably, Article 62.1, which permits Members to require compliance with reasonable procedures and formalities, provides that such procedures and formalities must be consistent with the provisions of the TRIPS Agreement. This language plainly envisions that a measure can violate both Article 62.1 and other provisions of the TRIPS Agreement, including those in Part II.

Q85. *Are the procedures raised in Australia's claims under Articles 41 and 42 of the TRIPS Agreement governed by Part IV of the TRIPS Agreement? If so, can they also be governed by Part III? AUS*

Q86. *Article 4 the Paris Convention (1967) creates no right of priority for indications of source. Does this indicate that they are irrelevant for the purposes of the right of priority? AUS, EC*

Q87. *What is the significance of the EC's statement that the complainants' claims are "theoretical"? Does the EC suggest that this affects the Panel's mandate or function in any way? EC*

Q88. *Please clarify the form of the recommendations which Australia seeks in respect of versions of Regulation (EC) No. 2081/92 prior to its most recent amendment, as distinct from registrations effected under them. Please cite to the dispute settlement rules and procedures of the covered agreements under which this form of recommendation is requested. AUS*

Q89. *Is there a notion of estoppel in WTO dispute settlement which applies where a Member refrains from raising claims in relation to a measure until after it is amended? EC*

Q90. *Does Australia challenge registrations of geographical indications, or procedures leading up to such registrations or to refusal of such registrations, that took place prior to 1 January 1996? If so, please explain how Article 70 of the TRIPS Agreement applies to these measures. AUS*

Q91. *Please clarify the form of the recommendations which Australia seeks in respect of individual registrations. Please cite to the dispute settlement rules and procedures of the covered agreements under which this form of recommendation is requested. AUS*

- Q92. Does Australia seek relief in respect of existing individual registrations for reasons related to rights of objection? How many such registrations were made under the former Article 17 of the Regulation? How many under Article 6? Does Australia seek relief in respect of any other aspect of procedures leading up to existing individual registrations? Please cite to any previous GATT or WTO panel report which has made such a recommendation. Please explain why such a recommendation would be appropriate in this dispute if the Panel upheld Australia's claim. AUS*
- Q93. Does Australia seek relief in respect of individual registrations in respect of their continuing inconsistency with trademark rights to be conferred under Article 16.1 of the TRIPS Agreement? If so, please list these individual registrations. AUS*

**Questions by the European Communities
to the Complainants during the first meeting with the Panel**

To Australia

Question 1

Could you please give details of any case where the authorities of the Member States have declared inadmissible an objection for the reasons alleged under Claim 21 (Australia's FWS, paras. 88-92)

Question 2

Could you please give details of any application for the registration of a trademark that has been refused for the reasons alleged under Claim 24 (Australia's FWS, paras. 81-87).

To the United States

Question 3

The EC understands that the regulations of the US Alcohol and Tobacco Tax and Trade Board, and more specifically Section 27 CFR 4.39(i), provide for the co-existence of geographical indications for wine and some earlier trademarks, under certain conditions.

- a) Is this understanding correct?*
- b) If so, how does the United States reconcile this form of co-existence with the interpretation of Articles 16.1 and 24.5 of the TRIPS Agreement that it has put forward in this dispute?*

Response:

127. The United States notes that the U.S. wine labeling regulations are not part of this Panel's terms of reference; indeed, this dispute involves neither U.S. measures nor wine products. With this caveat, under the regulations of the U.S. Alcohol and Tobacco Tax and Trade Bureau ("TTB"), TTB authorizes the use of the names of certain viticultural areas on wine labels. However, there is nothing in this authorization that deprives the trademark owner of his right to pursue an infringement action against uses of that name that create a likelihood of confusion with respect to that trademark. *See, e.g., Sociedad Anonima Vina Santa Rita v. U.S. Dept. of the Treasury*, 193 F.Supp.2d 6 (D.D.C. 2001) ("Of course, it is entirely possible or, indeed, likely that wineries will eventually produce labels bearing the Santa Rita Hills AVA designation. If Plaintiff concludes that any of those labels infringes on its trademark, Plaintiff is fully entitled to bring suit under the Lanham Act against the entity that has developed the label. In other words, the ATF's approval of the Santa Rita Hills AVA does not affect Plaintiff's right to pursue trademark claims against individual wineries if and when those wineries use labels that infringe

or dilute Plaintiff's mark.") (Exhibit US-48).

To Australia

Question 4

The EC understands that Australia's Wine and Brandy Corporation Act 1980 (the "WBC Act") prohibits the use of a registered geographical indication for wine which does not originate in the area covered by the geographical indication. The EC further understands that no exception to this prohibition is provided with respect to prior trademarks.

- a) Is this understanding correct?*
- b) If so, how does Australia reconcile this prohibition on the use of earlier trademarks with the interpretation of Articles 16 and 24.5 of the TRIPS Agreement that it has advanced in this dispute?*

Question 5

The EC further understands that the Geographical Indications Committee set up by the WBC Act has announced that

The GIC will not determine a geographical indication where there is an exclusive trademark using the name which is the same or similar to the trademark, without the approval of the trademark owner.

- a) Is this policy still in place?*
- b) What is the legal basis for this policy? Has the GIC the authority to derogate from the WBC Act?*
- c) Does this policy apply also with the respect to the registration of foreign geographical indications?*
- d) If so, does it apply also when the trademark was registered after 1 January 1996 and after the date of protection of the geographical indication in the country of origin?*
- e) If so, how does Australia reconcile this policy with the terms of Article 24.5 of the TRIPS Agreement?*

To Australia

Question 6

- a) Are the registration and opposition procedures before Australia's Trade Mark Office "enforcement procedures" within the meaning of Part III of the TRIPS Agreement?*
- b) Is Australia's Trade Mark Office a "judicial body"?*

- c) *Are the registration and opposition procedures before Australia's Trade Mark Office "judicial procedures" within the meaning of Article 42 of the TRIPS Agreement?*
- d) *Does Australia's Trade Mark Office have the authority to order the remedies provided in Articles 44, 45 and 46 of the TRIPS Agreement?*

To the United States

Question 7

- a) *Are the registration and opposition procedures before the US Patent and Trademark Office ("PTO") "enforcement procedures" within the meaning of Part III of the TRIPS Agreement?*
- b) *Is the US PTO a "judicial body"?*
- c) *Are the registration and opposition procedures before the US PTO "judicial procedures" within the meaning of Article 42 of the TRIPS Agreement?*
- d) *Does the US PTO have the authority to order the remedies provided in Articles 44, 45 and 46 of the TRIPS Agreement?*

Response:

128. The United States fails to see the relevance of these questions to the dispute at hand. Notably, none of the procedures or authorities of the USPTO are included within this Panel's terms of reference. Nevertheless, as explained at the first meeting, certain aspects of the procedures of the USPTO could be regarded as part of the enforcement procedures available to U.S. rightholders who believe that they are likely to be damaged by the registration of a mark or the continued registration of a mark. For instance, a petitioner who successfully cancels a registration at the USPTO can take the registration to a federal court to get an injunction against infringing use. Further, among the procedures available at the USPTO are proceedings before administrative law judges and the Trademark Trial and Appeal Board ("TTAB"), which are quasi-judicial.

To Australia and the United States

Question 8

- a) *Would it be possible under your domestic law for an EC national who owns an Australia/US trademark to claim before the Australian/US courts that another trademark has been registered by Australia's Trade Mark Office/ the US PTO in violation of Article 16.1 of the TRIPS Agreement, even where it is not contested that such registration is in conformity with all the relevant provisions of your domestic trademark law?*

Response:

129. With the caveat that this Panel's terms of reference do not include U.S. measures, any person likely to be damaged by the registration or continued registration of a mark at the USPTO may request cancellation of the registration at the USPTO or in a federal court and would cite grounds under U.S. law for such a request.

b) If not, is it your position that your domestic law is inconsistent with Part III of the TRIPS Agreement, because it does not provide "judicial civil procedures" in order to "enforce" Article 16.1?

Response:

130. No, because where a trademark owner's rights are being infringed – where another person is using in commerce identical or similar signs for goods or services that are related to those in respect of which the trademark is registered in a manner that creates a likelihood of confusion – the trademark owner can enjoin that infringement and obtain damages, costs, and lost profits. Further, a trademark owner with superior rights, either under common law or in a prior registration, may obtain cancellation of a later registered trademark either through a federal court (where the true owner can also receive an injunction as well as damages) or through the USPTO. This answer is provided with the caveat that this Panel's terms of reference do not include any U.S. measures.

To Australia

Question 9

The WBC Act set up a register of geographical indications. While the WBC Act lays down the conditions and procedures for the registration of Australian geographical indications, it does not appear to provide any conditions or procedures for the registration of foreign geographical indications.

- a) Can foreign geographical indications be registered under the WCB Act?*
- b) If so, what are the relevant conditions and procedures for the registration of foreign geographical indications?*
- c) Has any foreign geographical indication been registered under the WCB Act, other than those registered pursuant to a bilateral agreement?*

To Australia and the United States

Question 10

Have Australia and the United States ever been requested to transmit an application for the registration, under Regulation 2081/92, of a geographical indication relating to an area located

in their territory? If yes, what action have they taken?

Response:

131. Please see the U.S. response to Panel questions 12 and 36.

Question 11

Have Australia and the United States ever been requested to transmit a statement of objection to the registration, under Regulation 2081/92, of a geographical indication? If yes, what action have they taken?

Response:

132. Please see the U.S. response to Panel questions 12 and 36.

To the United States

Question 12

How many US geographical indications for products falling under the scope of Regulation 2081/92 are protected in the United States?

Response:

133. The United States is unclear as to the relevance of this question. If the EC is implying that there are no geographical indications in the United States that would fall within the scope of the GI Regulation, on what basis does the EC make this implication?

To Australia

Question 13

How many Australian geographical indications for products falling under the scope of Regulation 2081/92 are protected in Australia?
