

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

(WT/DS174 and WT/DS290)

**Oral Statement of the United States
at the First Substantive Meeting of the Panel**

June 23, 2004

1. Good morning, Mr. Chairman and members of the Panel. We have asked that you review the EC's GI Regulation – after five years of fruitless consultations – because it presents two major problems seriously affecting the rights of all WTO Members.

2. The Regulation sets up what the EC has characterized as a powerful system for registering and protecting geographical indications for agricultural products and foodstuffs sold in the substantial EC market. According to the EC, this system bestows significant commercial benefits on those persons and products able to qualify for protection. The EC has claimed that this system allows qualifying EC products to command higher prices in the EC market and to compete favorably based on quality. Indeed, so commercially meaningful is this GI protection that, in the eyes of the EC, it helps make it politically feasible to reduce or eliminate the EC's agricultural subsidies.

3. The problem is that the Regulation denies equal access to this powerful system of protection for *non-EC* nationals and products. Specifically, the Regulation puts in place a mandatory legal structure that directly allows only EC nationals to register and protect their GIs for EC products. Non-EC nationals, by contrast, cannot apply at all, unless their government has adopted a system of GI protection that (1) mirrors the EC's and (2) provides reciprocal protection to EC products – in other words, the “equivalence” and “reciprocity” requirements. Further, the non-EC national, unlike the EC national, can neither apply for, nor object to, a GI registration directly. Rather, the non-EC national – unlike the EC national – can only hope that his government will voluntarily put procedures in place to process objections according to EC standards and will be willing to try to convince the EC that (1) the government's GI protection system satisfies the EC's requirements and that (2) the particular GI should be registered.

4. As we detailed in our first submission, these aspects of the GI Regulation – the requirement of reciprocity and equivalence and the requirement for government-level intervention – discriminate in favor of EC nationals and products and against the nationals and products of other WTO Members. Further, with respect to countries that do happen to have an EC-equivalent system of GI protection, the GI Regulation discriminates in favor of nationals and products of those countries and against the nationals and products of WTO Members that do not have such a system. In other words, the EC's GI Regulation violates the national treatment and MFN obligations of the TRIPS Agreement, the Paris Convention, and the GATT 1994. For some of these same reasons, the GI Regulation does not provide the legal means required under the TRIPS Agreement for the protection of geographical indications.

5. Further, the GI Regulation grants these significant protections to EC nationals and products at the expense of rights that the EC is obligated to provide to owners of registered trademarks under the TRIPS Agreement. The TRIPS Agreement requires that WTO Members provide to the owners of registered trademarks the *exclusive* right to prevent confusing uses of similar or identical signs by *all third parties*. But under the GI Regulation, registered GIs are immune from the exercise of this right. Under the GI Regulation, if a person is using a GI that consists of the same or similar signs as a prior registered trademark – and does so in a manner that causes confusion with the trademark – the owner of the registered trademark is powerless to prevent that use. All that owner can do is continue to use his trademark in commerce, watching as the ability of that trademark to distinguish his goods is eroded away. This situation is simply not permitted by the TRIPS Agreement.

6. My oral statement this morning will focus on the two principal issues outlined above, although I will also briefly touch on other arguments raised by the EC. In sum, despite its denials and arguments to the contrary, the EC's first submission confirms the WTO inconsistencies noted above in every respect.

National Treatment/MFN

Requirements of Equivalence and Reciprocity

7. With respect to the lack of national and MFN treatment in the EC's GI Regulation, there are a few key questions that this Panel must examine. First, and astonishingly, the EC now claims that WTO Members do not have to satisfy the equivalence and reciprocity requirements. Yet, these requirements are clearly set out as preconditions for registering *all* third country GIs in Articles 12 and 12a of the EC GI Regulation. According to the EC, those requirements would "prejudice" the WTO Agreements, under Article 12(1). The United States is, of course, pleased that the EC has finally acknowledged that these requirements are inconsistent with WTO obligations.

8. Nevertheless, we remain skeptical. Article 12(1) of the GI Regulation clearly says that the Regulation may apply to products from a third country only if that country meets certain conditions, among them equivalence and reciprocity. These requirements apply with respect to GIs from *any* third country. There is no exclusion for WTO Members in Article 12(1), even though WTO Members are specifically mentioned in other parts of the Regulation. Therefore, there is every reason to believe that Article 12(1) means what it says. Of course, the EC reserves its flexibility to protect specific non-EC GIs through bilateral agreements, so Article 12(1) also states that it is "without prejudice to international agreements." But there is nothing in Article 12(1) to suggest that WTO Members are excluded from its requirements.

9. Further, Article 12a of the Regulation sets out the sole process under the GI Regulation for registering non-EC GIs. But Article 12a provides such a procedure only for countries that have satisfied the requirements of Article 12(1). Article 12a(1) says that a *third country fulfilling the conditions of Article 12(1)* may send a registration application to the Commission. Article 12a(2) describes what the *third country referred to in Article 12(1)* must do to apply for a GI registration on behalf of its nationals. If, as the EC suggests, Article 12(1) does not apply to WTO Members, Article 12a also does not apply to WTO Members, with the consequence that there is *no system whatsoever* under the GI Regulation for registering GI products from WTO Members. The EC has asserted that certain of the "third country" procedures in Article 12a apply to WTO Members, but that other references to "third countries", inexplicably, exclude WTO Members. There is simply no basis in the Regulation for picking and choosing which provisions apply to WTO Members and which do not.

10. Not only that, but until recently, the EC itself claimed that WTO Members *do* have to satisfy the reciprocity and equivalence requirements. We have held over five years of consultations, focused to a significant degree on the WTO-consistency of the reciprocity and equivalence requirements. *Not once* in those five years did the EC mention that these requirements do not apply to WTO Members.

11. To the contrary, the EC’s clearly articulated view – at least prior to last month in this proceeding – was that (1) agricultural products from a WTO Member are not eligible for GI registration in the EC unless that Member satisfies the reciprocity and equivalence requirements; and (2) the United States, for one, does not satisfy those requirements, and so its nationals cannot register their U.S. GIs.

12. We note, for instance, the written submission of the EC to the TRIPS Council, in September 2002, in which the EC, in describing its GI Registration system in the context of TRIPS obligations discussed the “fact that the EU register for GIs on foodstuffs does not allow the registration of foreign GI unless it is determined that a third country has an equivalent or reciprocal system of GI protection.”¹ Or its statement in that same document that GI “registration systems should be primarily aimed at the identification of *domestic* GIs.”² Likewise, its admission that the EC GI procedure requiring EU member States to verify that products meet the GI definition is “ill-adapted to foreign GIs.”³

13. In addition, there are a number of statements from EC officials in connection with the amendments to the EC GI Regulation last year that emphasize the importance to the EC of requiring reciprocity and equivalence as a condition of registering GIs from non-EU countries. This is touted as a means of encouraging the adoption of the EC GI protection system abroad.⁴ The references are to “non-EU” countries, not “non-WTO Members.”

14. This Regulation has been in place and enforced for almost 12 years. In that time, according to the EC itself, over 640 EC geographical indications have been registered.⁵ How many third country GIs have been registered? To our knowledge, none. This is not too surprising, since, at least up until last month, the EC has been confirming to WTO Members the plain meaning of the GI Regulation – that their nationals may as well not even apply for a GI unless the WTO Member is prepared to convince the Commission that it has a GI system that is equivalent to the EC’s system and that offers reciprocal treatment to EC products. The EC has in effect been demanding that WTO Members adopt its system of GI protection, thereby trying to extract from its trading partners through the GI Regulation what it could not get during the Uruguay Round negotiations.

15. And now the EC wants this Panel to find that the exact opposite is true, despite the presence of the same GI Regulation language – “without prejudice to international agreements” – that has been in place for almost 12 years and despite the explanations provided by the EC itself during five years of consultations and in several other fora – simply because the EC is now, for

¹ IP/C/M/37/Add.1, p. 79.

² *Id.*, p. 80 (emphasis added).

³ *Id.*, p. 80.

⁴ *See, e.g.*, “Food quality: Commission proposes better protection for geographical names”, IP/02/422, Brussels, March 15, 2002. Exhibit U.S.-22. *See also* Exhibit U.S.-20, p. 3; Exhibit COMP-14, pp. 20, 21, 23.

⁵ *See* www.europa.eu.int/comm/agriculture/publi/capleaflet/cap_en.htm.

purposes of this dispute, saying so. The EC amended this regulation last year with respect to some aspects of registration and objection, but, notably, left this language regarding equivalence and reciprocity untouched.⁶

16. With all due respect, this Panel should examine very thoroughly the factual basis for the EC's newfound – and unsupported – interpretation of its Regulation. If the EC can objectively establish that no requirements of reciprocity and equivalence apply to WTO Members – despite the clear language to the contrary – this clarification will be welcome. But mere assertions by the EC for purposes of this dispute are insufficient. To the contrary, the plain meaning of the Regulation, supported by the repeated assertions of the EC itself to WTO Members, demonstrate the contrary.

Equivalence by another name

17. Further, even if the Panel were to agree with the EC that Article 12(1) does not apply to WTO Members and that there is an alternative registration process for WTO Members somewhere in the GI Regulation, the EC nonetheless admits that Article 12a(2) requires WTO Members to submit a declaration that certain specific inspection structures are “established” on its territory.

(Parenthetically, as I noted a moment ago, Article 12a(2) applies *only* to third countries that have been deemed to satisfy the requirements of reciprocity and equivalence under Article 12(3), an article that the EC now says does not apply to WTO Members. So it is not clear on what basis this Article applies to WTO Members at all, under the EC's new interpretation. But, assuming for the sake of argument that it does,)

This requirement for inspection structures is tantamount to a requirement of equivalence, the same requirement that the EC itself appears to admit is WTO-inconsistent.

18. The purported function of the required “inspection structures”, which are also required of EC member States under Article 10, is to ensure that any agricultural product or foodstuff bearing a protected name complies with the relevant specification.⁷ Under Article 10, the inspection authorities of a country must have permanent qualified staff and resources “necessary to carry out inspection of agricultural products and foodstuffs bearing a protected name.” One of the requirements of Article 10 is that if the inspection body establishes that an agricultural product bearing a protected name does not meet the criteria in the specification, it must take all necessary steps to ensure that the EC GI Regulation is complied with.

19. So, in order for its nationals to qualify for GI protection, a WTO Member must establish an inspection structure with the authority and the resources to enforce the EC's GI Regulation and to ensure that any agricultural product or foodstuff bearing a protected name qualifies for that name.

⁶ See Council Regulation (EC) No 692/2003 of 8 April 2003 amending Regulation 2081/92, OJ L 99, July 14, 2003, p. 1. Exhibit COMP-1.h.

⁷ Article 10(1) of the EC GI Regulation.

20. Although the EC calls this requirement a product “specification”, as if it were related solely to whether the product itself qualifies to be a geographical indication, this is not really a product “specification” in the usual sense. Instead, it is a requirement that WTO Members adopt the same bureaucratic structures related to the protection of GIs as the EC has. But other WTO Members have the freedom under the TRIPS Agreement to set up a system that is different from the EC’s for protecting GIs, and the EC cannot make protection of GIs conditional on other Members’ adopting an EC-style system. The United States, for one, has not adopted the EC’s approach to protecting GIs, and does not necessarily require an EC-style inspection structure. This fact, however, should not prevent U.S. nationals from obtaining GI protection in the EC on the same basis as EC nationals.

21. In brief, the EC’s requirement that the United States establish EC-style inspection structures to enforce GIs is simply equivalence by another name: The EC will not protect the GIs of U.S. nationals unless the United States establishes the same inspection structures, with the same responsibilities and resources, that are required of EC member States. The EC has apparently recognized that it cannot require equivalence from WTO Members as a condition for protecting their GIs. For the same reason, it cannot require WTO Members to establish EC-style inspection structures to enforce GIs as a precondition.

The GI Regulation discriminates against certain nationals

22. The EC claims that its GI Regulation discriminates based on the *location* of the geographical area covered by the GI, and not on the basis of *nationality*.⁸ This razor-thin distinction is not meaningful, and is certainly not a basis on which to determine whether fundamental TRIPS Agreement obligations are being respected. To the question, “whose GI rights are overwhelmingly connected to agricultural products and foodstuffs obtained or produced in the United States,” the answer is obviously, “nationals of the United States.” To the question, “whose are overwhelmingly connected to products produced in the EC,” the answer is, equally obviously, “EC nationals.” No one can be under any illusion that, in providing one set of requirements for agricultural products grown in the EC and a more burdensome set for agricultural products grown outside the EC, non-EC nationals are being treated less favorably than EC nationals with respect to the protection of their geographical indications. One might just as easily argue that a regulation directed at large white birds with long necks swimming in Lac Lemman is not directed at swans, or that a regulation directed at birds that quack has nothing to do with ducks. Rights in GIs, perhaps to a greater extent than other forms of intellectual property, are inherently related to the territory of the national.

23. A U.S. national growing a special onion in a particular region in the Southeast United States is, under the TRIPS Agreement, entitled to obtain geographical indication protection for his product on terms that are at least as favorable to those accorded to, for example, French nationals for their products. That U.S. national, who has perhaps built up the quality and reputation of his product over many years, is simply not in the same position as a similarly

⁸ *E.g.*, EC First Written Submission, para. 125.

situated French national in France to apply for, register and protect his GIs in the EC. Nor does he have any means of obtaining the same treatment as his French counterpart. He can't simply move his farm to France and qualify for GI protection, because the reputation and quality of his product is connected with its geographic area in the United States. It is simply not enough for the EC to assert that the location of the geographic area has nothing to do with nationality: this U.S. person cannot protect his GI in the EC under the GI Regulation *because* of his U.S. location. Further, if previous WTO dispute resolution findings with respect to national treatment in the goods area provide any guidance, U.S. nationals are entitled to the best treatment granted to any EC national, which is the treatment granted the EC national with a GI in the EC.

24. To highlight the problem further, the Panel should recall that, under the TRIPS Agreement and the Paris Convention, “nationals” of a Member include legal persons who have a commercial establishment in that Member. So, if the U.S. national at issue is a corporation or partnership running an onion farm in the United States, the only way that it could get the same treatment as a French national would be for it to establish a farm growing onions in the EC. But this is tantamount to a requirement that the farm move or expand its commercial establishment to the EC, which would mean that it would qualify under the TRIPS Agreement as an EC national.

25. In other words, as applied to legal persons such as a farm, “national” treatment for U.S. nationals is available under the GI Regulation only if the U.S. national *becomes an EC national*. (Of course, such a move would eliminate the ability to register the foreign GI, as the goods would no longer have a quality, reputation, or other characteristics essentially attributable to their location.)

26. This requirement subverts the whole purpose of the national treatment requirement. The EC is supposed to give national treatment to nationals of the United States, not give national treatment to any U.S. national who agrees to become an EC national. Yet, this is the practical effect of the EC's restrictive definition of “national treatment” and “most favored nation treatment”.

27. It is also one reason that the EC is wrong to argue that the U.S. “national treatment” claim does not include Article 2, paragraph 2 of the Paris Convention. This paragraph of the Article 2 national treatment provision prohibits requiring establishment in the country where protection is claimed as a condition of enjoying rights. In this instance, the GI Regulation's requirement for a commercial establishment in Europe as a precondition to claiming the same rights as nationals is simply another aspect of its denial of national treatment to nationals of other WTO Members, a claim clearly within this Panel's terms of reference.

Requirement that the WTO Members intervene on behalf of their nationals.

28. As the U.S. first submission stated, another way the EC GI Regulation denies national and MFN treatment, and also fails to provide legal means for interested parties to protect GIs, is its requirement that a non-EC national's *government* take action in order for its *national* to protect its GI rights. For GI registration applications, the WTO Member government has to determine that the application meets the EC GI Regulation's requirements, has to demonstrate to the EC how the GI is protected in that country, and has to demonstrate that it has established the

necessary “inspection structures”, discussed earlier. And this is assuming, for the sake of argument, that the WTO Member does not also have to convince the Commission that it has satisfied the requirements of equivalence and reciprocity. Even for objections to GI applications, the WTO Member has to process that objection and present it to the Commission. The non-EC interested party has no ability to do that himself directly.

29. Now, the EC has a glib response to this argument: “The United States should not invoke its unwillingness to cooperate”, says the EC, “to demonstrate a national treatment violation by the EC”. This response avoids the issue. The issue is not whether the United States itself is willing to, as the EC puts it, “cooperate” with the EC’s GI registration process. The issue is whether, under the GI Regulation, a non-EC *national* has the same direct means to register his GI in the EC or to object to the registration of a GI in the EC, as does the EC national. He does not: the non-EC national has to go through a non-EC government that, unlike EC member States, is under no obligation to process GI registration applications or objections.

30. The EC tries to sell this requirement as “equal” treatment, because EC nationals must also apply to their member State governments for registrations and objections, and EC member States also have to have inspection structures in place. But this is a false “equality”. The EC can, and in the GI Regulation does, impose substantive and procedural requirements on its member States. The GI Regulation, therefore, directly provides the means in the EC for EC nationals to register their GIs and to object to the registration of GIs. The TRIPS national treatment requirements are not satisfied by imposing the same requirements on WTO Members as the EC imposes on its member States. The TRIPS requirement is that the *nationals* of WTO Members are entitled to treatment at least as favorable as that accorded to EC nationals.

31. In sum, the GI Regulation provides the direct means, through mandatory enforceable rules imposed on its member States, and through the infrastructure and bureaucracy established under the European Union, for EC nationals to register their GIs and to object to the registration of GIs. A non-EC national, by contrast, does not have those means, but must hope that its government will voluntarily put in place the necessary rules, regulations and infrastructure to process EC GI applications and objections, and will advocate to the Commission on behalf of its nationals.

32. This does not provide equal treatment to non-EC nationals, and it does not provide non-EC interested parties with the legal means to protect GIs.

33. As the U.S. and EC first submissions demonstrate, the issues we have just discussed cut across a number of the U.S. claims, and demonstrate how, despite the EC’s arguments to the contrary, the EC GI Regulation denies national treatment and most-favored nation treatment with respect to both the nationals and the products of other WTO Members, and fails to provide the legal means to protect GIs. Before moving on to the trademark issue, we do want to respond briefly to a number of the EC’s arguments that are specific to particular claims.

Responses to other arguments

34. First, the GI Regulation says that any EU national who is “legitimately concerned” may

object to a GI registration, while non-EC nationals must have a “legitimate interest” in order to object. The EC responds that there is no difference between the two standards. The United States submits to you, however, that a person may be “concerned” without his concern rising to the level of a “legitimate interest”. The “legitimate interest” standard for non-EC nationals was introduced just last year; if the EC meant for the standard to be the same, why not use the same words? The EC has not sustained its burden of rebutting the presumption that this amounts to less favorable treatment.

35. Second, with respect to the special rule that non-EC GIs must be accompanied by a country of origin indication on its label, the EC claims that this rule applies to both EC and non-EC products, and that, in any case, country of origin marking requirements can never give rise to a national treatment violation. The provision at issue, however, is in Article 12(1), which deals exclusively with the authorization of non-EC GIs, not EC GIs. In addition, this provision is not a general country of origin requirement as described in Article IX of the GATT 1994; rather, it is a special rule that is triggered by the fact that a third country product is characterized as a GI, and is intended to encumber the non-EC GI itself.

36. Third, the EC argues that there is no MFN violation because the GI Regulation has not yet been applied to discriminate among WTO Members. But the United States is challenging this measure on its face, not any particular application of the measure. The fact is that Articles 12(1) and 12a of the GI Regulation are designed purely to favor nationals from countries that have an EC-style GI protection system, including inspection structures, and to disfavor nationals from countries that don't. This is contrary to MFN obligations.

37. The EC also argues that its member States are entitled to treat other nationals from the EC more favorably than nationals from other WTO Members, because they are doing so pursuant to an EC regulation. But each EC member State has an obligation to provide MFN treatment *vis-a-vis* nationals of *all* other WTO Members. That they may be acting pursuant to an EC regulation does not excuse them from this obligation.

38. Fourth, the EC claims that the less favorable treatment provided non-EC products is excused by Article XX(d) of the GATT 1994. The EC has not made out a *prima facie* case that this is so, but has merely asserted it. This Panel should reject this argument on that basis alone. The GI Regulation does not satisfy the requirements of Article XX(d): it is not necessary to ensure compliance with laws or regulations that are not inconsistent with the GATT 1994.

39. Finally, the EC claims that the enforcement obligations of the TRIPS Agreement do not apply to the GI Regulation, because that Regulation deals only with the acquisition and enforcement of intellectual property, and not with enforcement. This is incorrect. The TRIPS Agreement requires enforcement procedures to permit effective action against any act of infringement of the covered intellectual property rights. The GI Regulation prevents trademark owners, for instance, from enforcing their Article 16.1 rights with respect to registered GIs. This is plainly inconsistent with the obligation to provide such enforcement.

Trademark Rights

40. We would like to spend the balance of our time discussing the trademark right issue. We start by noting that, within a span of just a few pages, the EC's submission states that: (1) there is no hierarchy between GIs and trademarks; (2) the United States is trying to establish a hierarchy of trademarks over GIs; and (3) the proper balance is to provide GIs with rights superior to trademarks: that is, that TRIPS permits GIs to prejudice "*any right*" of trademark owners, with the only exception being certain grandfathered trademarks that can be "used" in commerce but that are deprived of the critical ability to exclude confusing uses by all others.⁹ Interestingly, the EC derives this far-reaching ability to prejudice all trademark rights from, of all places, an article providing for exceptions, not to trademark rights, but to GI rights.

41. The EC's assertions notwithstanding, the United States agrees that there is no hierarchy between trademarks and GIs. In fact, the United States took great pains in its first submission to make it clear that is important to give *all* of the TRIPS provisions their full scope. There is no inconsistency between the obligation to provide trademark owners with the right to exclude uses by all others of signs that are likely to confuse consumers, on the one hand, and the obligation to give interested parties the ability to prevent misleading uses of GIs, on the other. The issue is not whether one form of intellectual property is "superior" to another, as the EC claims, but how to provide the rights set forth in the TRIPS Agreement in a manner that gives full affect to all of its provisions.

42. In other words, the EC's characterizations of the U.S. position are wrong. We'd like to emphasize certain basic points that set the relationship between trademarks and GIs in context. First, trademarks that lack distinctiveness or that mislead consumers as to the origin of goods may, under the TRIPS Agreement and the Paris Convention, be refused registration. If they are registered, such marks may be subject to invalidation. The EC's concerns on this score, therefore, are misplaced. The United States was clear in its first submission that this dispute concerns valid prior trademarks, not trademarks that are subject to invalidation under the TRIPS Agreement and the Paris Convention.¹⁰

43. Second, despite the EC's suggestions to the contrary, it is not the position of the United States that a trademark owner will necessarily succeed in an action against a GI owner. For example, if a trademark owner brings an infringement action against the user of a similar or identical GI, the trademark owner might not be able to prove that the particular use of the GI would result in a likelihood of confusion. Or the GI owner might be able to show that the trademark is subject to invalidation.

44. With this understanding as a backdrop, let us now respond briefly to the EC's arguments with respect to trademark rights.

⁹ EC First Written Submission, para. 301.

¹⁰ *E.g.*, U.S. First Written Submission, para. 135.

Article 14(3) of the EC GI Regulation

45. The EC appears to argue that, under the GI Regulation, owners of registered trademarks do not need the Article 16.1 right to exclude all others from confusing uses of their signs, for two reasons. First, the EC argues that it is unlikely that any trademarks would be registered that could be confused with a GI (*i.e.*, the risk of confusion is “limited”).¹¹ Second, the EC argues that Article 14(3) allows it to prevent the registration of all geographical indications that are confusing *vis-a-vis* certain trademarks.

46. But neither of these arguments addresses the main point, which is that the TRIPS Agreement requires that the owner of a registered trademark be able to exclude all others from the confusing use of identical or similar signs. And that the EC GI Regulation does not accord or even accommodate that right with respect to registered GIs.

47. The EC’s argument, in essence, is to concede that owners of registered trademarks are being deprived of their TRIPS Agreement rights, but to claim that they do not *need* those rights, because Article 14(3) of the EC GI Regulation ensures that confusing GIs will not be registered in the first place.

48. This is not good enough, nor is it true. The TRIPS Agreement requires that trademark owners be given a certain exclusive right, and the EC cannot legitimately respond that the right can be withheld because it is unnecessary.

49. Moreover, it is untrue that the Article 16.1 right to exclude is unnecessary. First, the EC argues that few trademarks that contain or consist of a GI are registrable, and that the United States is therefore making much ado about nothing. Even if the Panel accepts the unsupported assertion that the number of trademarks affected is small, however, it is beyond dispute that those registered trademarks – whatever their number – must be accorded Article 16.1 rights. It is no defense to a WTO violation to claim that the number of specific rights affected is small.

50. In addition, however, it is simply untrue that valid registered trademarks cannot incorporate certain “geographical” elements. Take the hypothetical example of an EC registered trademark, “Luna”, used in connection with cheese. Assume that the residents in the small town of Luna, Spain, start making cheese after the “Luna” mark was registered. If that cheese subsequently qualifies for GI protection, it would be eligible for registration as a GI, and, once registered, the owners of the “Luna” trademark would be powerless to stop the rightholders of the “Luna” GI from using the “Luna” name in a way that confuses the consumer. This is simply not a result permitted by Article 16.1 of the TRIPS Agreement. This is only a hypothetical, admittedly, but in fact there are thousands of registered trademarks around the world that incorporate or happen to sound like geographical names.

51. Second, contrary to the EC’s arguments, Article 14(3) of the GI Regulation does not satisfy the obligations under Article 16.1 of the TRIPS Agreement. Article 14(3), the Panel will recall, allows the EC to reject GI registrations where, in the light of a trademark’s reputation and

¹¹ EC First Written Submission, para. 275.

renown and the length of time it has been used, the GI registration is liable to mislead the consumer as to the identity of the product.

52. This standard does not satisfy the TRIPS Agreement obligations for several reasons. To begin, it applies criteria that are different from and more restrictive than Article 16.1. Article 16.1 requires that the owner of a registered trademark have the exclusive right to prevent all uses of identical or similar signs that result in a likelihood of confusion. This is not a right reserved solely to registered trademarks of a certain reputation or of any particular renown, nor is there any requirement under Article 16.1 that the trademark be used for any length of time. Article 16.1 articulates a right that is owed under the TRIPS Agreement to the owner of *any* valid registered trademark. Article 14(3), by contrast, comes into play only where there exists a trademark with a reputation, renown, and history of use.

53. Now, the EC implies that Article 14(3) actually permits the EC to block registration of a GI whenever there is a likelihood of confusion with a registered trademark, regardless of use, reputation or renown of the trademark. But that is not what Article 14(3) says: Article 14(3) clearly requires reputation, renown and use for some period of time. The EC not only confirms this reading in paragraph 290 of its submission, it has also confirmed this obvious meaning in its public explanations of its regulation outside of this meeting room. Thus, although the EC criticizes the United States in this room for characterizing Article 14(3) as requiring “long use”, the EC itself uses the phrase “used for a long time” in describing the requirements of Article 14(3) outside this room, as our Exhibit U.S.-23 shows.¹²

54. In any event, Article 14(3) does not, as required by Article 16.1 of the TRIPS Agreement, provide the *trademark owner* with the right to prevent confusing uses. It merely authorizes the *EC* to decline registration of a GI in limited circumstances. These are two different things. Moreover, Article 14(3) does not afford the trademark owner the right to ensure that no *uses* of that GI will result in a likelihood of confusion. Thus, even if Article 14(3) accorded rights to trademark owners rather than just authority to the EC, the trademark owner would not necessarily be able to tell, at the time of registration of the GI, 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.

55. Take the EC’s own example of the GI “Bayerisches Bier”, which the Commission decided to register despite concerns raised under Article 14(3) that it could confuse the consumer in relation to the “Bavaria” trademark in Holland. The Commission may have well been right that the reputation and renown of those trademarks were not such that the *registration* of the GI “Bayerisches Bier” is liable to mislead the consumer as to the identity of the product. But, once that GI is registered, how does the Commission ensure that the GI is not used in Holland, perhaps translated as “Bavaria Beer” – perhaps using signs similar or identical to those of the “Bavaria” trademark – in a manner that results in a likelihood of confusion? If the use of a GI confuses the

¹² See also Exhibit U.S.-24.

consumer, shouldn't the trademark owner have the ability to prevent that use? TRIPS Article 16.1 says yes. The EC GI Regulation says no.

56. In short, the decision under Article 14(3) on whether to register a GI is distinct from the ability of a registered trademark owner to exercise its TRIPS Article 16.1 rights once it is registered. The EC cannot invoke the former to implement the latter.

TRIPS Article 24.5

57. The EC next argues that TRIPS Article 24.5 defines the boundary between trademarks and GIs, and that it specifically permits the EC to prejudice the Article 16.1 right of prior trademark owners – that is, the exclusive right to prevent all third parties from using identical or similar signs in a manner that results in a likelihood of confusion.¹³

58. But the EC is wrong. Article 24.5 is merely an exception to the obligation to protect GIs. Just as there are exceptions to patent obligations in the patent section of TRIPS (Article 30, in Section 5), exceptions to copyright obligations in the copyright section of TRIPS (Article 13, in Section 1), exceptions to trademark obligations in the trademark section of TRIPS (Article 17, in Section 2), there also exist exceptions to GI obligations in the GI section of TRIPS (Article 24, in Section 3). Each of these articles, including Article 24, is explicitly labeled “exceptions”, and they are exceptions only to the obligations arising in the section in which they are found.

59. Article 24.5, therefore, is an exception to the scope of protection for GIs, an exception that protects certain grandfathered trademarks. It provides that measures adopted to implement the GI section of TRIPS “shall not prejudice eligibility for or the validity of the registration of a trademark, or the right to use a trademark,” on the basis that the trademark is identical or similar to a geographical indication. The plain meaning of this provision is that, in whatever respect the implementation of the GI section of TRIPS might otherwise prejudice the registration, eligibility for registration, or the use of a grandfathered trademark, Article 24.5 will prevent that result. The EC's argument, by contrast, transforms a provision that plainly *protects* certain grandfathered trademarks into a provision that empowers it to *prejudice* trademarks.

60. The EC's reading appears to hinge on the Article 24.5 obligation that GI measures not prejudice the “right to use the trademark.” The EC argues that the GI Regulation permits the continued “use” of the trademark in commerce, and therefore does not prejudice the “right to use the trademark”, satisfying the Article 24.5 requirement. But the EC ignores two important facts.

61. First, Article 24.5 also contains a separate obligation not to prejudice the eligibility for or the validity of the registration of trademarks. The EC seems to think that this is a mere technical requirement that is satisfied by simply maintaining a registration on the books. But under the TRIPS Agreement, “registration” of a trademark means something very specific: the owner of a registered trademark has a certain right to exclude all others from the use of confusingly similar signs. Where, under Article 24.5, a Member cannot prejudice the validity of a trademark registration, the registration remains valid and the rights that go with that registration under

¹³ EC First Written Submission, paras. 298, 301.

Article 16.1 remain in force. In this way, Article 16.1 provides a sword to registered trademark owners, while Article 24.5 shields against anything in the GI section that could adversely affect grandfathered trademarks.

62. Article 24.5 cannot be read so as to require only that a name appear on the list of registered trademarks, but that all rights connected with that registration can be denied. Without the associated rights, “registration” is virtually meaningless.

63. Second, the EC seems to read the Article 24.5 obligation not to prejudice the right to use a trademark as affirmative permission to prejudice the Article 16.1 right to exclude all others from confusing uses. But the fact that the TRIPS negotiators included *both* a prohibition on prejudicing uses *and* a prohibition on prejudicing registration, does not mean that the rights associated with registration are to be ignored.

64. The November 1990 “Brussels Draft” of the TRIPS Agreement contained a predecessor to the current Article 24.5 requiring that registrations of grandfathered trademarks not be refused or invalidated. It made no mention of “use” of the trademarks.¹⁴ This obligation, taken alone, means that registered trademarks remain registered and therefore benefit from their Article 16.1 rights. A reading that the trademarks remain registered but are deprived of all of the rights of registration would make no sense. Subsequently, the negotiators added an *additional* requirement that the use of such trademarks should also not be prejudiced on the grounds that they are similar to a GI. It is this *additional* obligation that the EC is now using to assert that the *only* trademark right preserved under Article 24.5 is the right to use the trademark in commerce, and that Article 24.5 no longer preserves the right to exclude all others. In other words, the EC is reading the language that *clarifies* and *adds* to the protection for grandfathered trademarks as a *denial* of the key protection given specifically to grandfathered trademarks: the right to exclude.

65. In addition, during this same period, the negotiators tightened the requirement not to “refuse or invalidate” trademark registrations up to a requirement not to even “prejudice” the validity of such registrations or the right to use the trademark. This emphasizes further that the negotiators were increasing the protection of grandfathered trademarks, not reducing it.

66. The EC’s interpretation, therefore, simply makes no sense from the ordinary meaning of the text, and is contradicted by the negotiating history.

67. Further, the EC’s interpretation of these terms is inconsistent with their context. When Article 24.5 refers to the “right to use a trademark”, the Panel should keep in mind that a trademark is “used” by its owner – how? – to distinguish his goods from the goods of others. If that owner is not able to exclude all others from using confusingly similar signs – *i.e.*, to maintain the distinctiveness of his trademark as a source-identifier – his ability to use the trademark to distinguish his goods is severely prejudiced. As recognized by Advocate General Jacobs of the European Court of Justice in HAG II,¹⁵ a trademark can only fulfill its role of

¹⁴ See Exhibit U.S.-25.

¹⁵ Exhibit U.S.-9.

identifying the manufacturer and guaranteeing quality if it is exclusive: the exclusive right of trademark owners to prevent confusing uses is the core of the trademark right.¹⁶ As the EC itself suggests, the TRIPS Agreement negotiators knew how to draft a provision that required some accommodation between the rights of different right holders, for instance, in the area of two homonymous wine GIs. Article 24.5 is not such a provision.

68. The EC questions why certain wine labeling regulations in the United States appear to permit grandfathered trademarks to co-exist with later geographical indications. Although this question is not relevant, as this dispute involves neither wine nor U.S. regulations, suffice it to say that, even where the wine labeling regulations permit the use of terms that may be similar to trademarks, U.S. courts have confirmed that the trademark owner fully retains his exclusive right to prevent confusing uses of his signs.

Article 24.3 of the TRIPS Agreement

69. Having failed to show that Article 14(3) of the GI Regulation provides TRIPS Article 16.1 rights to trademark owners, and having failed to show that Article 24.5 of the TRIPS Agreement permits the EC to prejudice those rights freely, the EC next argues that Article 24.3 of the TRIPS Agreement *requires* the EC to deprive trademark owners of their Article 16.1 rights. According to the EC, this is because Article 24.3 requires that, in implementing protections for GIs, a Member may not diminish the protection of GIs that existed before the TRIPS Agreement entered into force. Therefore, according to the EC, Article 24.3 requires the EC to maintain “co-existence of geographical indications and earlier trademarks.”¹⁷

70. This view is misguided. To begin, as in the case of Article 24.5, Article 24.3 is an exception with respect to the implementation of the *GI* section of the TRIPS Agreement. It is not an exception to the implementation of the trademark obligations. The meaning of Article 24.3 is that GIs should be protected in accordance with the GI section of the TRIPS Agreement, but that the protection provided those GIs should not diminish the protections for GIs that existed when the TRIPS Agreement came into force. Article 24.3 does not impose any such exceptions on the obligation to provide trademark rights under Article 16.1.

71. Under the EC’s interpretation, Article 24.3 would create a major and permanent exception to the *trademark section* of the TRIPS Agreement. It would require a Member to apply all aspects of a pre-TRIPS GI regime to all GIs – including those registered after January 1, 1996 – even though this means that the Member would *never* fully implement the rights granted trademark owners by Article 16.1.

72. The Panel should recall that the TRIPS Agreement text, and Article 24.3 in particular, was essentially agreed to by December 1991, three years before the WTO Agreement came into force. The EC GI Regulation entered into force a year and a half later, on June 5, 1993. Under the EC’s expansive reading of Article 24.3 – that is, requiring a freezing of GI protection systems

¹⁶ Exhibit U.S.-9.

¹⁷ EC First Written Submission, para. 312.

regardless of *any* WTO obligation (and not just the GI obligations) – a Member could have put in place a GI “protection” regime that exempted GI owners from the copyright and patent disciplines, or, indeed, any other WTO obligations, and then pointed to Article 24.3 as a broad exception to those obligations.

73. Plainly, this reading is incorrect. Article 24.3 is an exception to the implementation of protections for GIs, not an exception to the implementation of trademark – or other WTO – obligations.

Article 17 of the TRIPS Agreement

74. Finally, the EC argues that, as permitted by Article 17 of the TRIPS Agreement, the GI Regulation constitutes a limited exception to trademark protection – the fair use of descriptive terms – that takes account of the legitimate interests of the owner of the trademark and of third parties.

75. The EC’s assertions would be more credible if the EC had not specifically *rejected* a proposed amendment to Article 14(2) of the GI Regulation that would have clarified that the trademark rules on “fair use” exceptions apply to GIs.¹⁸ But this amendment was rejected in favor of the much broader “exception” provided for under the GI Regulation. A limited exception to trademark protection, such as that provided by a “fair use” exception, takes account of the legitimate interests of the trademark owner and of third parties on a case-by-case basis, depending on the manner in which a descriptive term is used. For example, it should be possible to inform consumers about the origin of a product and its characteristics through the use of descriptive terms in a non-trademark sense without affirmatively confusing the consumer about the source of the goods. It is possible simultaneously to protect the legitimate interests of the consumer, the GI owner and the trademark owner. The GI Regulation makes no such distinctions, however, but simply offers a broad immunity against actions by trademark owners, based purely on whether a particular GI has been registered. Further, with respect to the scope of the so-called “exception”, the GI Regulation entirely eliminates the trademark holder’s right to prevent confusing uses by all others, which is the whole core of his legitimate interest. This is not a limited exception and it does not take into account the legitimate interests of the owner of the trademark or, indeed, of the consumer. Consequently, the EC GI Regulation does not satisfy the requirements of Article 17 of the TRIPS Agreement.

Conclusion

76. Mr. Chairman, members of the Panel, this concludes the oral presentation of the United States this morning. We thank you for your attention and, indeed, for your willingness to serve on this Panel to review the important issues presented by this dispute. We look forward to our further discussions this afternoon and tomorrow.

¹⁸ See Exhibit U.S.-21.