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 Second Substantive Meeting of the Panel

August 11, 2004

1. Good afternoon, Mr. Chairman and members of the Panel. We brought this dispute because the EC GI Regulation provides significant commercial benefits to products and persons receiving GI status under the Regulation, but imposes prohibitive barriers to access to these benefits on non-EC products and persons. The GI Regulation has both the design and the effect of protecting EC agricultural products and persons against competition from non-EC products and persons. Let's not forget that, after 12 years, there is not a single non-EC GI registered under the GI Regulation. Not one. By contrast, there are over 600 registered GIs for EC products and persons. Further, these substantial benefits are provided at the expense of owners of prior registered trademarks: those owners are supposed to have certain rights associated with their trademarks under the TRIPS Agreement. The EC GI Regulation eviscerates those rights – rights that are critical to the trademark owner – in favor, again, of those EC products and persons who receive GI protection. Although this violation of trademark rights is a claim separate from that of national treatment, it is consistent with the approach of the EC Regulation to protect its agricultural production, especially as agricultural subsidies are reduced or eliminated.

2. The first meeting of this Panel and the submissions of the EC have, if anything, confirmed our worst fears. Some of the violations of the WTO agreements are so extreme that the EC can defend the Regulation only by denying that it says what it says. Whole provisions in the Regulation are ignored, and whole new provisions are added, based on nothing except the EC's "assurances" during these proceedings of what the Regulation means, despite the fact that these "assurances" are contrary to both the text of the Regulation and to what the EC has consistently said to everyone – including complainants – outside this room in the past 12 years. This effective rewriting of the Regulation is based, in part, on the EC's assertions that the EC and the ECJ would never read any provision of the Regulation as inconsistent with the WTO Agreement, regardless of what the Regulation actually says. Such an assertion is nothing short of remarkable.

3. It is the job of this Panel, not of the EC, to clarify the nature of the WTO obligations and to make an objective assessment of the facts of this dispute, including the meaning of the EC GI Regulation. Contrary to the EC's hope, it is not the U.S. burden to show that the U.S. reading of the EC GI Regulation is the only "reasonable" one. It is our burden to make a *prima facie* case that the Regulation means what it says, which we have done on the face of the Regulation in the light of EC law. It was then up to the EC to present evidence rebutting that meaning. In this, the EC has failed. Although the EC hopes to hide behind a so-called "considerable deference" defense, the plain truth is that it is unable to come forward with a domestic authoritative legal instrument – such as that found in the Section 301 dispute – supporting the EC's new found reading of the Regulation. Further, if neither the ECJ nor the EC member States give "considerable deference" to the Commission's interpretation of its Regulation, it is hard to see how this Panel should have confidence that the ECJ would agree with the EC's interpretation. In short, there is no basis for the EC's newly created defense.

4. The United States would, in fact, welcome positive evidence, beyond the EC's mere hopes that the ECJ might in the future agree with its assertions in this dispute, that would support a finding that the WTO-inconsistent provisions in the GI Regulation do not apply to WTO Members. However, on the evidence currently before the Panel, the United States simply has no confidence that the EC's new reading of its Regulation is the correct one, or that the ECJ would so find.

5. One other preliminary comment. I ask the Panel to look closely at what the EC provided in its second submission with respect to the relevance of the WTO agreements to the interpretation of EC regulations. It has provided some scholarly opinions that the WTO agreements should not be ignored, and encouraging WTO-consistent interpretations of EC Regulations. But there is nothing in that submission to suggest that, in the case of this Regulation, the Commission's invention of new procedures for WTO Members is a "possible" reading of a Regulation that on its face requires reciprocity and equivalence for all third countries.

6. This oral statement is divided into three parts. The first discusses the national treatment and MFN violations under the TRIPS Agreement, the Paris Convention, and the GATT 1994. The second discusses the Regulation's violation of the GI obligations in the TRIPS Agreement – Article 22.2 – and of the enforcement obligations. The final section discusses the GI Regulation's violation of trademark rights under Article 16.1 of the TRIPS Agreement.

National Treatment/MFN

"nationals"

7. With respect to national treatment and MFN obligations under the TRIPS Agreement and the Paris Convention, a threshold question appears to be whether the Regulation treats non-EC nationals differently from EC nationals. The EC admits there are two tracks for registering a GI – a "domestic" track for persons established and producing GI products in the EC, and a "foreign" track for persons established and producing GI products outside the EC. But, according to the EC, these two separate tracks correspond to a difference in the origin of the product and of the GI, not a difference in the "nationality" of the producer. The EC further claims that "establishment" and "nationality" are two completely separate concepts, and that less favorable treatment based on where a person is established does not translate into less favorable treatment of nationals.

8. With all due respect, the EC's position is contrary to principles of treaty interpretation, does not reflect reality, and would render the national treatment obligation a virtual nullity. We, along with Australia and numerous third parties, have set out our position and concerns in our various written submissions on this issue, and I will not repeat all of those arguments now.

9. But I do want to highlight a few issues concerning the EC's overly narrow and restrictive interpretation of the national treatment requirement. First, this interpretation is contrary to the EC's own analysis in support of the GI Regulation. In arguing that the two separate GI Regulation "tracks" for objecting to a GI Registration are not based on nationality, the EC stated that "Article 7(3) of Regulation 2081/92 refers to persons which are resident or established in the EC, regardless of their nationality. Similarly, Article 12d(1) refers to persons resident or established outside the EC, regardless of their nationality."[1] But Article 12d was added to the

[1] EC First Written Submission, para. 142.

Regulation just last year, and the EC justified that amendment as follows, and I quote, "[t]o satisfy the obligation resulting from Article 22 of the TRIPS Agreement it should be made clear that in this matter ***nationals*** of WTO member countries are covered by these arrangements."[2] The EC went on to say that "[t]he right of objection should be granted to WTO member countries' ***nationals*** with a legitimate interest on the same terms as laid down in Article 7(4) of the said Regulation."[3] Thus, the EC itself equates where a person is from, *i.e.*, where that person is resident or established, with their nationality: before last year, there was one "domestic" track for persons "resident or established" in the EC, which the EC admitted did not make objections available to WTO Members' nationals. The EC then added an additional "foreign" track last year for persons "resident or established" outside the EC, to adequately cover "nationals" of WTO Member countries. The distinction in the two tracks for the registration of GIs is similar to that for objections – the track that applies depends on where the person is established and producing GI products – and likewise draws a distinction based on EC nationals, on the one hand, and non-EC nationals, on the other.

10. Second, the EC has said that the "foreign track" conditions of equivalence and reciprocity do not apply to WTO Members. According to the EC, this is because those conditions apply "without prejudice to international agreements", and, to avoid a conflict between those conditions and the national treatment obligations of the TRIPS Agreement, the conditions are eliminated such that the TRIPS Agreement prevails.[4]

11. Yet, by arguing that the reciprocity and equivalence conditions must be eliminated for WTO Members in order to respect the national treatment obligation, the EC obviously considers that those conditions result in less favorable treatment of nationals of other WTO Members. The EC cannot, then, credibly argue the contrary: that conditions that depend on the origin of the product and of the GI do not result in different, and less favorable, treatment of nationals seeking to register GIs for those products.

12. Further, although the EC would like to engage in a detailed discussion of whether "establishment" in a country always results in a person being a "national" of that country, this is not the point. It is beyond dispute that, at least for some WTO Members, including separate customs unions, a real and effective establishment makes a person a "national" of that WTO Member. Creating a separate track in the GI Regulation for such persons results in different treatment of those persons.

13. In addition, we have made clear that the EC GI Regulation effectively requires that, in order to register a GI on the same basis as an EC national, a non-EC national must produce a qualifying product in the EC. Requiring that a person be established in a country before being able to claim equal access to a system of intellectual property protection is a denial of national treatment. This is clear from Article 2(2) of the Paris Convention, which specifically prohibits

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[2] Council Regulation No. 692/2003 of April 8, 2003, p. 2. Exhibit Comp-1h.

[3] Council Regulation No. 692/2003 of April 8, 2003, p. 2. Exhibit Comp-1h.

[4] EC Second Written Submission, paras. 55-56.

conditioning the enjoyment of industrial property rights on establishment or domicile. But more than that, if such a requirement were permitted, what would stop the United States from providing that only those with domiciles or establishments in the United States can register trademarks, or file patent applications, in the United States? We, like the EC, could well argue that EC nationals are being treated the same as U.S. nationals, since both have to be established in the United States to register a trademark, and neither can do so if they are domiciled or established in the EC. But this could hardly be considered to be national treatment. The EC argues that "with the growing appreciation and knowledge of agricultural products and foodstuffs protected by geographical indications" the current lack of foreign companies producing qualifying products in the EC will change.[5] Although this may in fact be true, if companies are unable to obtain GI protection any other way except to abandon their existing GIs, and instead establish themselves in the EC and create a new EC GIs, this is little solace to U.S. nationals now producing qualifying products in the United States, who are already entitled to as favorable treatment as their European counterparts.

14. Finally, from a practical point of view, it cannot be open to serious question that it is U.S. nationals that have an interest in U.S.-based GIs and EC nationals that have an interest in EC-based GIs. In the United States, for instance, approximately 99% of agricultural land is owned by U.S. nationals, and only 1% is owned by non-US nationals.[6] The EC itself, unable to provide a single example of a U.S. national owning an EC-based GI, can only speculate that this situation may change as the value of GIs associated with European products becomes recognized.[7] A GI system that provides less favorable treatment to agricultural products and GIs located outside the EC than inside the EC does provide less favorable treatment to non-EC nationals than to EC nationals. While it is true, as the EC points out, that like Mr. Larsen of Cognac fame, a non-EC national can move to France, can buy a French company producing cognac, marry a French national and raise a family in France, we submit that requiring him to do so in order to register his GI on the same basis as EC nationals is hardly according him as favorable treatment as EC nationals.

15. The EC this morning provided several supposed examples of non-EC companies taking advantage of EC GIs. But, looking at the actual exhibits, it appears that these examples concern companies incorporated in EC member States. I am not sure on what basis the EC claims that these are foreign nationals claiming EC-based GIs.

16. By the way, the EC appears to be using Larsen Cognac House as an example of a non-EC national claiming an EC-based GI. I'm curious to know whether Larsen Cognac House, which has apparently produced cognac in France since 1926, is not an EC national, or whether, in fact, Mr. Larsen set up a legal entity that is an EC national before claiming GI status for his product.

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[5] EC Second Written Submission, para. 48.

[6] Agricultural Resources and Environmental Indicators: Land ownership and farm structure, Economic Research Service, United States Department of Agriculture, July 2002, Chapter 1.3, p. 7. Available at www.ers.usda.gov/publications. Exhibit US-72.

[7] EC Second Written Submission, para. 48.

17. In its oral statement this morning, the EC claimed that the scope of the national treatment obligation under the TRIPS Agreement was limited because of the national treatment provisions provided under Article III of the GATT 1994. There is nothing unusual, however, about both obligations applying to the same measure. The EC's view that Article III cuts into and narrows the national treatment obligation under the TRIPS Agreement is incorrect and has no basis in the Vienna Convention rules of treaty interpretation.

Reciprocity and Equivalence

18. With respect to the issue of reciprocity and equivalence, at this point, I can only repeat that the GI Regulation on its face sets out only two tracks for registering GIs: one for registering products and GIs originating in the EC and one for registering products and GIs originating in all other countries, *i.e.*, "third countries". Article 12(1) of the GI Regulation clearly says that all third countries hoping to benefit from the Regulation have to have a GI protection system that is equivalent to that in the EC and have to offer reciprocal protection to EC products. The EC says that these conditions do not apply to WTO Members, because to do so would be in violation of the WTO agreements (and to this we agree). Further, beyond the question of whether the WTO agreements must be considered in interpreting EC regulations, the GI Regulation does not provide any procedures for registering GIs from WTO Members. And neither does the TRIPS Agreement, which simply spells out general obligations. Thus, even if the reciprocity and equivalence requirements do not apply to WTO Members, nationals of WTO Members would still not be able to register their GIs because no procedures exist for this to occur.

19. The EC provides several examples of agreements containing language similar to the "without prejudice" language of Article 12(1) of the GI Regulation. But in each of those cases, there is a simple requirement in the regulation or directive that can be directly supplanted by a specific contrary obligation in the international agreement. For instance, if the requirement for local ownership in the air carrier regulation conflicts with an international agreement imposing a different ownership requirement, the specific ownership provision in the international agreement can simply be applied. Consistent with these examples, the registration procedures and conditions in Articles 12(1) and 12a could be made inoperative by virtue of specific registration provisions for GIs in an international agreement. By contrast, the GI Regulation provides a track for registering GIs that is specifically limited to third countries satisfying the reciprocity and equivalence conditions. If a third country does not satisfy those conditions, there is no registration procedure in the GI Regulation, and there is nothing in the TRIPS Agreement to fill that void.

20. The United States provided examples of the kind of agreements that would give proper meaning to the "without prejudice" clause, for instance, agreements that provide for protection for specific GIs, which would then not be prejudiced by the GI Regulation's requirements. This included an agreement with Switzerland that specifically anticipated protection of specific GIs. The EC's only response is to deny that any of those agreements fall within the scope of the "without prejudice" language. In the case of Switzerland, the EC protests that there is no such specific protection *yet*. Now, even assuming that the EC's response is correct, however, it is beside the point. The EC apparently concedes that such specific agreements protecting GIs were

and are anticipated, and that any such agreements would have to be exempt from the requirements of the GI Regulation. The "without prejudice" language would thus make sense with respect to any such agreements.

21. The EC also goes to great pains to distance itself from its many past representations to the WTO Membership that the conditions of reciprocity and equivalence apply to WTO Members – even invoking the confidentiality of consultations to shield its previous interpretation of this Regulation. But the plain facts are that the EC has publicized this interpretation widely, and that this consistent interpretation is directly contradicted for the first time by the EC's first submission in this dispute. The EC even goes so far as to deny authorship of the January 16, 2003, communication sent to the United States confirming that U.S. GIs cannot be registered because the United States does not satisfy the reciprocity and equivalence requirements. The United States emphasizes that this document does no more than confirm what the United States was repeatedly told during consultations. But, in response to the denials of the EC, the United States notes that this document was included in a January 16, 2003, communication from Trade Commissioner Pascal Lamy to Ambassador Robert Zoellick. Although much of the letter and attachment are not relevant to this dispute, they are attached as Exhibit US-73 for the Panel's consideration.

22. Before closing on the subject of reciprocity and equivalence, I want to emphasize that, if it were clear that, contrary to the text of the GI Regulation and contrary to the repeated representations of the EC – both public and private – the EC GI Regulation does not impose any conditions of reciprocity and equivalence on WTO Members, the United States would welcome such a factual finding by the Panel. However, for all of the reasons that we have set out in our various submissions, we have substantial concerns that these conditions do apply to WTO Members and that the ECJ would so find.

Requirement for equivalent inspection structures

23. I would like to move on to one specific aspect of the EC's requirement of equivalence that the EC does not deny applies to WTO Members: the requirement for the establishment of equivalent inspection structures. Contrary to the EC's claims, the United States made plain from the beginning of this dispute its view that the specific requirement for equivalent inspection structures was inconsistent with the national treatment obligations of the TRIPS Agreement and the Paris Convention.[8]

24. And, indeed, this requirement does provide "less favorable" treatment to non-EC nationals. Under the GI Regulation, EC member States are required to ensure that inspection structures are in place on their territories, and are required to approve all inspection authorities and/or private bodies that make up the inspection structures.[9] All such bodies must be responsible to the member State.[10] Therefore, any EC national wishing to register a GI

[8] *E.g.*, U.S. First Written Submission, para. 64.

[9] EC GI Regulation, Article 10(1) and (2).

[10] EC GI Regulation, Article 10(3).

automatically has, by virtue of the EC GI Regulation itself, a qualifying inspection structure established by his member State. Thus it can obtain protection for its EC GI. A non-EC national, by contrast, can satisfy the GI Regulation's inspection requirements only if *his* sovereign government (1) has ensured the establishment of these same inspection structures, as dictated by Article 10 the EC GI Regulation; (2) has specifically approved particular inspection bodies that must also be approved by the EC; and (3) assumes responsibility for those inspection bodies, as required by the EC. If his government has not established such structures and approved such bodies, that non-EC WTO national cannot register and protect his GI in the EC. Needless to say, unlike member States, other WTO Members have no obligations under the EC Regulation. That non-EC national is therefore being treated less favorably than the EC national as regards the protection of his geographical indications because, in order to obtain protection for his non-EC GI, he must convince his government to subject itself to the EC through the EC GI Regulation, and dedicate government resources to establish a GI system exactly like the EC's.

25. The EC has emphasized the supposed extreme flexibility of this inspection structure requirement, implying that a U.S. national hoping to register his GI in the United States could satisfy this requirement by simply hiring a private commercial company that provides inspection services.[11] But it is not as simple as that. The EC Regulation does not simply require that a non-EC national contract with a commercial inspection service, even one of those identified by the EC in Exhibits EC-49 and EC-50 as companies authorized to carry out inspections under the EC GI Regulation.

26. No, to satisfy the EC GI Regulation, the *government* of the non-EC national must ensure that structures are in place and must approve the particular inspection bodies and take responsibility for their inspections. If that *government* has not done so, its nationals are precluded from protection in the EC. In short, the GI Regulation requires extensive foreign government involvement; no non-EC national can on its own meet the requirements of the GI Regulation.

27. The EC's response is to argue at some length that the EC Regulation's requirement that other WTO Members establish inspection structures is "necessary" to attain the objectives of the GI Regulation.[12] But the issue before the Panel under the national treatment obligations of the TRIPS Agreement and the Paris Convention is whether non-EC nationals are treated at least as favorably as EC nationals with regard to the protection of geographical indications. Since they are not treated as favorably, the GI Regulation is inconsistent with these obligations. The question of whether the requirement is "necessary" simply does not enter into the analysis at all: Nothing in the text excuses less favorable treatment simply because a Member deems the violation "necessary". And since there is no basis in the TRIPS Agreement or the Paris Convention for the EC's novel "necessary" test, the Panel should simply reject this request. If anything, a "necessary" analysis is only relevant in this dispute with respect to the EC's GATT Article XX affirmative defense, and I will discuss this in due course.

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[11] EC Second Written Submission, para. 107.

[12] *E.g.,* EC Second Written Submission, paras. 109 *et seq.*

28. But even though there is no "necessary" test in the TRIPS and Paris provisions at issue, I don't want to leave the Panel with the impression that the GI Regulation's requirement that non-EC WTO Members establish, approve, and be responsible for particular inspection structures is necessary. It is not. There is simply no reason to assume that only the *government* of the rightholder, as opposed to the rightholder himself, can sufficiently assure the EC that the products claiming GI status qualify for that status. And it is not clear why it is the government of the rightholder, and not the government whose regulation it is, that has to approve or authorize inspection structures. It is interesting that, in arguing that the EC inspection structures are "necessary", the EC cites the example of the U.S. regulations concerning organic food, which require that any farmer seeking to claim that his products are organic must have his farm inspected by a certifying agent. Of course, this dispute does not concern any U.S. measures, and organic labeling is not a private intellectual property right, as are geographical indications. But since the EC raised it, the Panel should be aware that in the case of U.S. organic labeling regulations, the USDA maintains a list of certifying agents, including those able to conduct inspections in the EU, that any farmer in Europe can simply call directly and satisfy the U.S. regulations. There is no unilateral U.S. requirement for foreign government involvement, intervention, or allocation of resources. The same is *not* true of a non-EC national who wishes to apply to register his GI in Europe. He is simply foreclosed unless his government establishes, approves and takes responsibility for the inspection structures specified in Article 10.

29. Indeed, how would the EC react if the United States, as a condition of protecting EC GIs in the United States, required the EC to establish a specific inspection structure system designed by the United States? Suppose further that the inspection structure required by the United States is incompatible with the inspection system the EC has established for its GIs. Would the EC still consider the unilateral imposition of inspection requirements on other WTO Members appropriate? Perhaps more to the point, this Panel may wish to consider the impact of numerous WTO Members imposing their own different inspection system requirements on all other WTO Members as a condition to protecting foreign GIs. A WTO Member wanting its nationals to benefit from GI protection in the territories of these WTO Members would potentially have to establish every one of these distinct inspection systems in its territory, which – needless to say – would be impossible and unworkable. Yet that would be the result if the EC were to succeed in arguing that it is WTO-consistent for one Member to unilaterally require foreign governments to establish a particular inspection structure in order for their nationals to obtain protection for their GIs.

30. The EC implied this morning that the United States and Australia are asking the EC to somehow lower its standards for GIs from the United States and Australia. I emphasize, to the contrary, that the product standards that U.S. nationals have to meet in order to obtain GI protection are not at issue. But the inspection structures required by the EC are not related to the product characteristics that qualify them for GI protection. In addition, this dispute is not about what is wrong with the EC inspection system itself. Rather, the issue is whether the EC can unilaterally require other WTO Members to adopt the EC's system. The inspection system may be fine for the EC; this does not justify the EC's imposing it on us.

Requirement that the non-EC WTO Member itself assess and verify whether the requirements of the EC GI Regulation are met and that the non-EC WTO Member advocate for registration on behalf of its nationals.

31. A similar response can be made with respect to the requirement that the non-EC WTO Member itself assess and verify whether its nationals have satisfied the EC GI Regulation's requirements, and advocate for registration on behalf of its nationals. As in the case of inspection structures, an EC national has the direct means under the GI Regulation to register and protect his GIs. A non-EC national from a country that is not in a position to assess and verify that the requirements of the EC GI Regulation are satisfied does not have any ability to do so. Again, it is worth noting that, as the EC itself has specified, what is required is a substantial dedication of expertise and resources by the non-EC WTO Member government. Unlike EC nationals, non-EC nationals cannot on their own take advantage of pre-established infrastructure to register their non-EC GIs.

32. The EC's response, again, is that what it calls "cooperation" is "necessary" and "indispensable"[13] to the registration process. And again, as in the case of inspection structures, whether so-called "cooperation" is "necessary" or "indispensable" is not relevant to the national treatment issue before the Panel under the TRIPS Agreement and the Paris Convention. The only issue for the Panel is whether there is less favorable treatment. The EC's apparent excuse that less favorable treatment is necessary or indispensable is simply without basis.

33. But even so, as noted earlier, the EC's arguments that its requirements for so-called "cooperation" ring hollow.[14] The EC has not been able to show that, for instance, the United States Government is in the best position to evaluate whether the specifications provided by the rightholder are sufficiently established, or that it is only the U.S. Government, and not the rightholder, that is capable of providing the elements necessary to show the rightholder's entitlement to a GI registration. Further, "facilitating cooperation" with the WTO Member is no excuse: it is the very unilateral imposition of requirements on non-EC WTO Members – under the guise of forced "cooperation" – that we find unnecessary. Moreover, the EC's argument that this requirement is "beneficial to the applicant" – who can "discuss, prepare, file, and where necessary refine and amend his application directly with the authorities where the geographical area is located"[15] emphasizes both the burden being placed on the WTO Member and the lack of its necessity – that it may be "beneficial to the applicant" does not equate to it being "necessary."

34. The EC's second submission, at paras. 130 - 142, makes a number of additional points in support of its contention that there is nothing wrong with requiring other sovereign governments to assess and verify whether an application satisfies the requirements of the GI Regulation. First, it is of course incorrect to assert that this is "partially mandated" – whatever that means – by the

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[13] *E.g.,* EC Second Written Submission, paras. 124 *et seq.*

[14] EC Second Written Submission, paras. 124 *et seq.*

[15] EC Second Written Submission, para. 129.

definition of a GI in the TRIPS Agreement.[16] Nothing in TRIPS Article 22.1 requires this, fully or partially. Furthermore, the EC is requiring that the WTO Member assess whether the EC Regulation requirements are satisfied, not whether the TRIPS Agreement obligations are satisfied.

35. Second, the so-called "numerous" examples in which governments have agreed to cooperate can in no way be interpreted as licence for one WTO Member to unilaterally force another WTO Member to "cooperate". And despite the EC's claims to the contrary, the TRIPS Agreement does not permit such coercion: to the contrary, it requires no less favorable treatment for nationals of other WTO Members.

36. Third, the EC's citation to the *U.S. – Gasoline* dispute as an example of where "cooperation" between countries may be necessary is instructive, but not for the reasons urged by the EC. In that dispute, the Appellate Body was questioning why, in establishing certain refinery-specific baselines for foreign refiners, the United States Environmental Protection Agency could not have adapted "procedures for verification of information found in U.S. antidumping duty laws."[17] As the EC knows, those procedures involve having the foreign company submit information to the U.S. Government, and having the *U.S. Government* conduct an on-site verification of those data. The desired "cooperation" in that case was, therefore, permitting the U.S. auditors to conduct an audit at the foreign refinery. It was not a unilateral requirement that the foreign government itself assess and verify compliance with U.S. laws, which is the so-called "cooperation" that the EC has in mind in the EC GI Regulation. More fundamentally, the requirement at issue in *U.S. – Gasoline* was analyzed in the context of GATT Article XX – that is, there was a breach of Article III, and the only issue was whether it was justified under Article XX.

37. Finally, the EC claims that simple transmittal of a registration application is not difficult and that the United States should not raise difficulties that other WTO Members might have meeting this requirement. But, as the EC itself admits, and contrary to what we heard this morning in the EC's oral statement, the EC's requirement goes beyond a simple ministerial act. It requires a thorough assessment and verification of whether an application meets the requirements of the GI Regulation. Further, the issue is not how difficult this requirement is to satisfy, but whether the EC is justified in imposing it. Consequently, it is misleading and irrelevant to assert that "any WTO Member with a normally functioning government should be able to carry out such an act"[18] – a quotation that was repeated this morning in the EC oral statement. First, this is untrue, as I just discussed. Second, if what is required *were* a simple ministerial act of transmission, then there is an obvious question as to why it is necessary, in light of the fact that intellectual property rights are private rights, for direct applications for protection in one country to be transmitted through the government of another country.

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[16] EC Second Written Submission, para. 132.

[17] EC Second Written Submission, para. 136, *citing* Appellate Body Report, *U.S. – Gasoline*, p. 26.

[18] EC Second Written Submission, para. 141.

Country of origin marking requirement for non-EC GIs

38. I want to include a brief word on the EC's response concerning the country of origin marking requirement for non-EC GIs. The EC claims, contrary to the plain meaning of the Regulation, that that requirement applies, not to foreign GIs, but to whichever GI is registered later. The provision in question – Article 12(2) – is a provision directed purely at the conditions for authorizing the use of *non-EC* GIs. There is simply no basis for reading this as applying to *EC-based* GIs. I point this out as yet another example of the EC attempting to rewrite the Regulation on the grounds that it must be interpreted consistently with the WTO Agreement, regardless of the actual text.

Objections

39. I'd like to turn briefly to the failure to provide national treatment under the TRIPS Agreement with respect to the ability to object to the registration of GIs. The EC reads the GI Regulation as giving a right of objection to persons "from a WTO Member", on the one hand, and from "a third country recognized under the procedures provided for in Article 12(3)" (*i.e.*, countries satisfying the reciprocity and equivalence conditions), on the other. The EC claims that this distinction makes clear that the conditions of reciprocity and equivalence do not apply with respect to nationals from WTO Members, but only with respect to nationals from "other" countries. The United States, by contrast, believes that the correct reading of the phrase "recognized under the procedures provided for in Article 12(3)" is that it applies both to WTO Members *and* to other third countries. I will not repeat our detailed arguments here, but would simply note that the EC's reading only emphasizes even more the weakness of the EC's argument with respect to the registration of GIs. According to the EC, this language in the objection provisions distinguishes between WTO Members and other third countries; yet such an argument only makes the failure to make any such distinction in the registration provisions all the more evident.

40. With respect to the GI Regulation's requirement that the WTO Member, and not its national, assess and submit any objections to a GI registration, I refer to the comments I made earlier concerning the similar requirement for registrations: under this requirement EC nationals have a direct means to object to registrations, while nationals from non-EC countries that do not process objections under the EC GI Regulation do not.

41. The EC's responses to this point are a bit curious. On the one hand, the EC claims that a WTO Member does not have to do anything other than transmit the objection, dismissing the notion that the EC is imposing any real requirements on other WTO Members. On the other hand, the EC claims that the WTO Member does have to verify where the objecting person is resident or established, and claims to need a "contact" in the government to address "questions relating to the territory of the third country".[19] It would appear that, in fact, more is required than a purely ministerial act of transmission. And, of course, the whole point is that the U.S. national should not have to jump the extra hurdle of convincing the U.S. Government to submit his

[19] EC Second Written Submission, para. 156.

objection for him. It is circular to claim that this is necessary because the U.S. Government has to verify that he is a U.S. national.

Legitimate interest

42. Finally, with respect to objections, the United States noted in its second submission that, before last year's amendments, only a "legitimately concerned" EC national could object to a GI registration.[20] The EC specifically amended the regulation last year to give WTO Members' nationals the right to object, yet it deliberately added a different and facially higher standard – one implying some property interest – for those WTO nationals: they have to have a "legitimate interest".[21] The United States showed in its second written submission that this is a different and higher standard, and the EC has not sustained its burden of showing that this higher standard does not amount to less favorable treatment for non-EC nationals.

Requirement of domicile or establishment

43. As mentioned earlier, in order to register GIs and object to the registration of GIs on the same basis as EC nationals, a non-EC national has to become established or domiciled in the EC. Further, for those non-EC nationals whose governments do not satisfy the EC's requirements, for instance, with respect to inspection structures, the only way to enjoy their GI rights is to become established in the EC. Contrary to the EC's second submission, this is not about the EC's ability to ensure that the product originates in the geographical region indicated. And it is not about allowing persons established outside the EC to object. This is about not imposing hurdles on persons established outside the EC such that, in order to enjoy their intellectual property rights, they have to establish themselves in the EC. The EC GI Regulation plainly does this, and so is inconsistent with Article 2(2) of the Paris Convention.

National treatment under the GATT 1994

44. Our first submission discussed in detail how the conditions of reciprocity and equivalence imposed on WTO Members are inconsistent also with national treatment obligations under the GATT 1994. And we have also discussed in detail the issue of whether the conditions of reciprocity and equivalence apply to WTO Members. I won't discuss that issue further here, except to recall that the EC has presented no arguments that these conditions are consistent with the GATT 1994 national treatment obligations, and to recall that the EC itself claims that these conditions conflict with the WTO agreements. That is the basis for their view that the "without prejudice" language in Article 12(1) eliminates these requirements for WTO Members. Accordingly, the Panel should find that these conditions are inconsistent with the national treatment obligations of the GATT 1994.

45. With respect to the other issues which I have also discussed above: the requirement for specific inspection structures and the requirement that other WTO Members assess and verify whether GI applications satisfy the requirements of the EC GI Regulation, the EC, in its second

[20] Article 7(3) of the GI Regulation.

[21] Article 12d of the GI Regulation.

submission, simply refers back to its arguments with respect to national treatment under the TRIPS Agreement and the Paris Convention. Notably, the EC states that these requirements are also imposed on EC products, so they constitute "equal", not "less favorable", treatment.

46. This curt dismissal of this claim is interesting, because the EC itself argues that the EC GI Regulation does not discriminate according to nationality, but according to the origin of the product. Furthermore, the EC has justified its highly technical and overly narrow interpretation of the TRIPS Agreement national treatment obligation based on the fact that the GATT disciplines also cover this situation. In addition, it is the EC that has emphasized the differences between the GATT national treatment obligations and the TRIPS Agreement national treatment obligations.

47. Therefore, we should take some care with this argument. Treatment between EC products and non-EC products is clearly not "equal." Article III:4 of the GATT 1994 then requires that products from outside the EC be accorded treatment that is no less favorable than that accorded "like products of national origin." As the Appellate Body has noted, "like" means "[h]aving the same characteristics or qualities"[22] and has been analyzed in past disputes based on the characteristics of the products themselves, *i.e.,* physical properties, ability to serve the same end uses, consumer perceptions of whether the products serve the same end uses, and the tariff classification of the product.[23]

48. In the context of this dispute, therefore, the issue is whether an imported product that has characteristics qualifying it for GI status under the GI Regulation is treated at least as favorably as an EC product that has those characteristics. The answer is no. The imported product will be denied the benefits of the GI Regulation in the EC market, not because of any deficiency in the product itself, but because of a "failure" of the country of origin to establish an EC-style inspection system. These benefits will also be denied where the government of the country of origin – for instance, the United States – does not have a mechanism to take on the EC's job to assess whether a product meets the EC's requirements. This has nothing to do with the characteristics of the product itself. Favorable treatment is denied to "like" products for reasons related to the product's origin.

49. Further, this Panel should not ignore that the preamble to the Regulation emphasizes the importance of the production, manufacture, and distribution of agricultural products and foodstuffs to the European economy, and emphasizes the intended role of the Regulation in promoting products having certain characteristics, which "could be of considerable benefit to the rural economy, in particular to less-favoured or remote areas" in the EC. In this connection, it is hard to ignore that, of the over 600 registered GIs in Europe, exactly zero are for products produced outside the EC. And this, 12 years after the Regulation was implemented. In addition, although the EC argues now that its active advertisement of the reciprocity and equivalence requirements were not authoritative, it cannot be denied that the EC effectively sent a message

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[22] *EC – Asbestos*, para. 90, *citing* New Shorter Oxford English Dictionary.

[23] *EC – Asbestos*, para. 101.

discouraging any GI applications from countries not satisfying those requirements. The effect of this discouragement is plain to see. Finally, the additional requirements that the EC admits imposing on WTO Members – notably, to establish specific inspection structures and to assess and verify whether GI applications meet the EC GI Regulation's requirements – are simply equivalence by another name, and are similarly designed to discourage the registration and protection of foreign GIs.

50. In sum, the GI Regulation is inconsistent with the national treatment obligations of the GATT 1994.

Article XX(d) of the GATT 1994

51. But I should note that, even more than in the case of the TRIPS Agreement national treatment obligation, the EC second submission contains virtually no arguments about whether the EC GI Regulation affords less favorable treatment to imported products than to domestic "like" products. Instead – just as in the case of the TRIPS Agreement national treatment discussion – the EC devotes the bulk of its presentation to justify why, in spite of the obligations, the various requirements of the EC GI Regulation are necessary or indispensable to the GI Regulation's objectives. So, let me respond to the EC's argument that the GI Regulation is covered by the Article XX(d) exception to the GATT 1994 obligations.

52. It is unfortunate that the EC has only just now, in its second written submission, spelled out its arguments on Article XX(d). Up until that submission, the EC failed to provide anything beyond the most conclusory statements on Article XX(d). It was a little amusing to hear this morning the EC's claim that the United States has not responded at all to these arguments, in light of the fact that we just received them, and that this statement is the first opportunity to respond. So, let me turn to them now.

53. The United States submits that the EC is far from meeting its burden, even at this late hour. Article XX(d) requires that the EC demonstrate that the measure that is inconsistent with the GATT 1994 (1) is designed to "secure compliance" with laws or regulations that are not inconsistent with the GATT 1994; and (2) is "necessary" to ensure such compliance. The EC's arguments fail on both counts.

54. With respect to the requirement for inspection structures, the EC, at paragraph 232, merely summarizes and cross references its statement that the "requirement of inspection structures is necessary for the attainment of the objectives of Regulation 2081/92."[24] And that a "similar degree of protection could not be achieved through other means."[25] But the standard in Article XX(d) is whether the GATT-inconsistent measure "is necessary to *secure compliance*" with a GATT-consistent law or regulation, not whether it is necessary to "attain the objectives" of the GATT-inconsistent law itself. The EC has not identified the GATT-consistent law or regulation for which the inspection structures are designed to ensure compliance, and has not

[24] EC Second Written Submission, para. 232.

[25] EC Second Written Submission, para. 233.

described how they secure compliance with that law or regulation.

55. Further, the EC has not shown that the inspection structure requirements are "necessary" to ensure any such compliance. The Appellate Body in *Korea – Various Measures on Beef* considered that, in the context of Article XX(d), "necessary" is "located significantly closer to the pole of 'indispensable' than to the opposite pole of merely 'making a contribution to'."[26] In *EC – Asbestos*, citing *Korea – Various Measures on Beef*, the Appellate Body emphasized that the more vital the objective pursued, the easier it would be to accept a measure as "necessary", implying that, where the objective is not, for instance, the preservation of human life or health, a stricter standard for "necessary" may be appropriate.[27] Which is, of course, the case here. Finally, a measure is surely not "necessary" to ensure compliance if an alternative, WTO-consistent measure which the WTO Member could reasonably be expected to employ is available to it. And as noted earlier, the EC has not met its burden of demonstrating that there exists no such alternatives.

56. In fact, to the contrary, the EC itself offered the example of the U.S. organics regulation, in which a non-U.S. farmer hoping to use the "organic" label in the United States simply contacts a certifying agent approved, not by his home government, but by the U.S. Department of Agriculture. The EC also provided the example in *U.S. – Gasoline*, in which the Appellate Body suggested that the regulator – in that dispute the U.S. EPA – conduct its own audit of the foreign firms. And, as the United States discussed in its second submission, the EC itself, in the context of collective marks, does not require the home government of the rightholder to establish specific inspection structures. As the Appellate Body has said, these other, less restrictive measures, are relevant as evidence that the WTO-inconsistent measures are not "necessary".[28]

57. It is not at all clear that having a WTO Member government approve and have responsibility for inspection bodies – as opposed to, for instance, the private rightholder, such as the certification mark holder – is even a preferable way of achieving the objective of the GI Regulation, let alone that it is "necessary" to do so. And, even so, what the EC should have shown is not that the WTO-inconsistent measure is "necessary" to the objective of the Regulation, but rather that it necessary to ensure compliance with a law or regulation that is not WTO-inconsistent.

58. Similarly, with respect to the requirement that the WTO Member assess and verify that the GI application of its nationals meets the EC GI Regulation's requirements and the requirement that the WTO Member advocate in favor of the registration on behalf of its nationals, the EC has not indicated how this requirement "secures compliance" with a WTO-consistent law or regulation. To the contrary, the EC has only argued that this requirement is "indispensable for the implementation" of the EC GI Regulation.[29] This is not the same as

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[26] Appellate Body Report, *Korea – Various Measures on Beef*, para. 161

[27] Appellate Body Report, *EC – Asbestos*, para. 172, *citing Korea – Various Measures on Beef*, para. 162.

[28] *See* Appellate Body Report, *Korea – Beef*, paras 168 - 170.

[29] EC Second Written Submission, para. 237.

demonstrating that there is a WTO-consistent regulation, and that the otherwise WTO-inconsistent requirements imposed on Member are necessary to ensure compliance with that regulation, two demonstrations that are necessary to prove entitlement to the Article XX(d) exception. And indeed, far from being even "indispensable for the implementation" of the EC GI Regulation, at best, from the EC's perspective, this requirement shifts the burden of analyzing the application from the EC – where it belongs – to other WTO Members. Further, as discussed earlier, there is no reason that alternative measures – for instance, allowing the nationals to apply for GI registration directly to the EC – are not reasonably available to the EC.

59. The EC similarly fails to make any showing that the requirement that foreign GIs be identified with a country of origin is necessary to ensure compliance with a WTO-consistent law or regulation.

60. Finally, the EC simply asserts, with no information, no argument, that the chapeau to Article XX is also satisfied: that is, that these WTO-inconsistent requirements are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail or a disguised restriction on trade. But, to the contrary, these measures mean that any country that protects GIs in the same manner as the EC – with EC-style inspection structures and with legal mechanisms for assessing whether the requirements of the GI Regulation are satisfied – may obtain registration and protection of its GIs. Those WTO Members that do not have such systems cannot obtain such protection. These are countries where the same conditions prevail, but, because the EC favors countries that protect GIs the way it does, the EC arbitrarily and unjustifiably discriminates between them.

61. In sum, the EC has not shown that the WTO-inconsistent measure at issue satisfies the requirements of the Article XX(d) exception.

MFN Treatment

62. I would like to shift over to the U.S. arguments with respect to most favored nation treatment under the TRIPS Agreement and the Paris Convention. The EC GI Regulation grants advantages, favors, privileges and immunities to nationals from third countries that satisfy the EC's conditions of reciprocity and equivalence: *e.g.,* they can have their GIs registered and protected in the EC. Even the EC concedes this, at least with respect to non-WTO third countries. In addition, the EC GI Regulation grants those advantages, favors, privileges and immunities to nationals of WTO Members that have established EC-style inspection systems and systems to assess and verify whether GI applications meet the EC GI Regulation's requirements, while denying those advantages, favors, privileges and immunities to nationals of WTO Members that have not. Consequently, the EC GI Regulation fails to accord those advantages, favors, privileges and immunities "immediately and unconditionally" to nationals of all other Members, as required by Article 4 of the TRIPS Agreement.

63. The EC's response is that the imposition of non-discriminatory conditions on nationals is

not a violation of MFN treatment.[30] But it bears emphasizing that these are not conditions that the EC is placing on *nationals*, such that the nationals, without discrimination, are in a position to satisfy the conditions. Rather, these conditions are being placed on the government. The national is being denied his GI rights because of the system that his home government has in place – or does not have in place – with respect to GIs.

64. The EC also claims that it has not yet granted any benefit to any non-EC third country, so that there can be no MFN violation. Although the lack of any registration of a third country GI is certainly instructive with respect to whether national treatment is being provided, it is also apparent that whether to accept GI applications from third countries is made on a country-by-country basis: either a country has the appropriate EC-mandated mechanisms in place or it does not, and access to the EC GI regime is granted based on meeting this condition. This is thus a failure on the face of the Regulation to provide MFN treatment with respect to nationals from all WTO Members.

65. The United States has also noted that – as WTO Members in their own right – each member State of the EC also has an MFN obligation with respect to all other WTO Members, and that by according advantages, favors, privileges and immunities to nationals of other EC member States that are not immediately and unconditionally accorded to nationals of all other WTO Members through their implementation of the EC GI Regulation, the EC member States are acting inconsistently with those MFN obligations. The EC's sole response is that this is an EC measure, not a member State measure. But this response ignores two facts: first, the Panel's terms of reference include any implementation and enforcement measures, which include those taken at the member State level. Second, member States are not exempted from their MFN obligation simply because they are "required" to act inconsistently with those obligations by an EC regulation. France, for instance, is prohibited by WTO obligations from granting advantages to German nationals that are not granted to U.S. nationals. That obligation does not disappear simply because the EC "requires" France to do that. The EC's argument at paragraphs 148-149 of its oral statement is extraordinary. The EC states that EC member States are WTO Members, yet claims that they have no MFN obligations. But either EC member States are WTO Members or they are not. Their MFN obligations do not disappear simply because the measure at issue includes an EC regulation. We suggest, therefore, that the Panel take a close look at the EC's argument on this issue.

GATT 1994 MFN obligations

66. With respect to the GI Regulation's violations of the GATT 1994 MFN obligations, I will simply refer back to our earlier submissions and comments, and note that this obvious discrimination against products of certain WTO Members cannot be justified as "necessary" to "secure compliance" with a WTO-consistent law or regulation under Article XX(d).

[30] EC Second Written Submission, para. 249 - 250.

Enforcement

67. With respect to the fact that the EC GI Regulation denies enforcement procedures and remedies that are required under Part III of the TRIPS Agreement, the EC's response in its second submission is interesting. Most of the EC's discussion appears to be directed at the intellectual property regimes of the United States and Australia, which are both irrelevant and outside this Panel's terms of reference. The United States can only conclude that the EC wants to divert attention from the measure that *is* before this Panel: the EC GI Regulation.

68. As to a substantive response, the EC's principle argument seems to be that the GI Regulation does not prevent the trademark owner from bringing an infringement action against a rightholder of a geographical indication.[31] But the point is that the trademark owner cannot prevent confusing uses of the GI, so he does not have the means to enforce his trademark or to obtain remedies against infringement.

Article 22.2 of the TRIPS Agreement

69. The United States argued in detail in its first submission how the GI Regulation failed to make the required legal means available to interested parties to prevent certain uses in respect of geographical indications. It does not provide the legal means for interested parties outside the EC to register and protect GIs, and, critically, it does not provide the legal means for interested persons – other than governments – to object to the registration of a GI, which is effectively the only way to prevent certain uses of terms that are proposed as registered GIs. The EC's sole response is that "registration" is not "use" and therefore it is not necessary to provide for the right of objection. But this does not address the failure to provide the legal means to register GIs at all. And, with respect to objections, it ignores the fact that, under the GI Regulation, once a GI is registered, the rightholder has an affirmative right to use that GI. For the interested party who does not have the legal means to object, the game is lost when the GI he would have objected to is registered. The United States submits, therefore, that the EC GI Regulation is inconsistent with the obligations of Article 22.2 of the TRIPS Agreement.

Trademark Rights

General comment

70. I turn now to our claim under TRIPS Article 16.1. Article 16.1 obligates the EC to give owners of registered trademarks the exclusive right to prevent all confusing uses of similar or identical signs, including GIs. In direct contrast to this obligation, the EC acknowledges that, under its GI Regulation, *even if* the owner of a prior valid registered trademark can prove use of an identical or similar registered GI results in a likelihood of confusion, it cannot prevent

[31] EC Second Written Submission, para. 360.

continued use of that GI.[32] Not only is this contrary to the obligation in Article 16.1 of the TRIPS Agreement, it also undermines what Appellate Body findings and U.S. and EC jurisprudence all agree is the core of a trademark owner's right under Article 16.1.[33]

71. The United States believes that each provision of the TRIPS Agreement must be given its full scope, and our arguments have reflected this. Both trademarks and GIs are granted a sphere of exclusivity. The EC is correct that a "conflict" may occur between an individual trademark and an individual GI.[34] But this is not a "conflict" between trademark and GI *obligations* placed on the EC; it is merely a "conflict" between rightholders. The rights of those rightholders, and the ways in which to resolve any "conflicts" between those rights, are set out in the TRIPS Agreement. Specifically, where the owner of a prior valid registered trademark is confronted with use of a similar or identical GI, Article 16.1 empowers the owner of the trademark to prevent any use of the GI that is likely to confuse consumers within a given territory. And where a GI owner is confronted with a similar or identical trademark, that trademark is subject to invalidation under Article 22.3 if it misleads the public in a given territory about the origin of the goods.

72. In other words, there is no "conflict" between the obligations placed upon *the EC*, as a signatory to the WTO Agreement, by TRIPS Articles 16.1 and 22.[35] It is not "impossible" in any sense for the EC to "simultaneous[ly] compl[y]" with those provisions by providing both trademark and GI owners with the means to enforce the sphere of exclusivity granted them by Articles 16.1 and 22.[36]

73. The EC has five responses to the U.S. arguments in its second submission: first, that there are no (or few) valid registered trademarks that could be similar or identical to registered GIs; second, that Article 14(3) of the GI Regulation prevents the registration of GIs that can give rise to confusing uses *vis-a-vis* trademarks (so there is no need for Article 16.1 rights); third, that Article 24.5 *permits* the EC to eliminate Article 16.1 trademark rights; fourth, that Article 24.3 *requires* the EC to eliminate Article 16.1 trademark rights; and, finally, that the GI Regulation's broad grant of immunity to all who qualify to use a GI is a "limited exception" permitted by Article 17 of the TRIPS Agreement.

Article 14(3) of the GI Regulation

Trademarks Containing or Consisting of Geographical Elements

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

[33] *See* U.S. First Written Submission, paras. 145-149, citing Appellate Body Report, *United States - Section 211*, para. 186; U.S. Supreme Court, *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 527 U.S. 666. 667 (1999) (Exhibit US-14); Advocate General Jacobs' Opinion in Case C-10/89, *SA CNL-Sucal NV v. HAG GFAG*, delivered 13 March 1990, [1990] ECR I-3711, para. 19 (Exhibit US-8).

34 EC Second Written Submission, para. 309.

35 EC Second Written Submission, para. 309.

36 *See* Panel Report, *Turkey – Textiles*, para. 9.92. *See also* Panel Report, *Indonesia – Autos*, para. 14.28.

74. The EC's first defense is to claim that, *vis-a-vis* GIs registered in the EC, trademark owners do not need their Article 16.1 rights in the EC, since, in the EC's view, few trademarks that contain or consist of a GI will be registrable. Therefore, the EC sees little risk that a registered GI will raise a likelihood of confusion with respect to a prior valid registered trademark. There are two responses to this argument. First, although the EC has not presented any evidence that the number of vulnerable trademarks is small, the number of marks is irrelevant. The owner of every valid registered trademark is entitled to its Article 16.1 rights. Further, however, it is a fact that valid registered trademarks can indeed consist of or incorporate "geographical" elements. In our first submission, we offered the hypothetical example of a trademark for LUNA, in connection with cheese, and the potential registration of a GI for cheese produced in Luna, Spain.[37] We had not submitted the example of a cheese produced on the moon, but we accept that the EC altered the hypothetical this morning. The EC's somewhat irrelevant, yet revealing, response is that the town of Luna does not exist "in Spain, or in any other Spanish speaking country, whether large or small."[38] The EC concludes that EC trademark officials would likely register "Luna" as a fanciful name. In fact, Luna is a town in Spain, and even has a website.[39] But the EC's glib response indicates, in fact, how easy it is for a geographical term to be registered as part of a trademark, even for EC officials trying to avoid such registrations. We found after midnight last night as we were preparing this oral statement, that there are quite a few LUNA trademarks registered in Europe. We did not have time to create an exhibit, but we suggest that you search "Luna" on the OHIM database and see for yourself. Since the EC is uncomfortable with hypotheticals, other potential examples include: CALABRIA, a registered Community Trademark for pasta,[40] and a region in Italy; DERBY, a registered Community Trademark for milk products,[41] and a city in the UK; and WIENERWALD, a registered Community Trademark for meat, vegetables and milk products,[42] and a region in Austria.

75. One of the EC's arguments this morning was that trademarks incorporating geographical elements can only be registered if they have acquired secondary meaning. Contrary to this argument, *none* of the three registrations discussed above was based on acquired distinctiveness. And we saw no evidence of acquired distinctiveness in connection with any of the "Luna" trademarks. Therefore, we suggest that the Panel take the EC's assertions this morning with more than a grain of salt.

76. In sum, validly registered trademarks that consist of or incorporate geographical elements exist, whether or not the origin of the trademark was geographical. In any event, the EC's argument ignores the potential for further conflict between prior registered trademarks and the

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37 U.S. First Oral Statement, para. 50; U.S. Second Written Submission, para. 169.

38 EC Second Written Submission, para. 290 (note 179).

39 www.lunavirtual.net.

40 EC OHIM Trademark No. 001575240. Exhibit US-74.

41 EC OHIM Trademark No. 001305929. Exhibit US-75.

42 EC OHIM Trademark No. 000229534. Exhibit US-76.

registration as GIs of non-geographic names, under Article 2(3) of the Regulation.

Article 14(3) of the GI Regulation cannot substitute for TRIPS Article 16.1 rights

77. Second, the EC states that "Article 14(3) of Regulation 2081/92 provides the necessary means to trademark owners . . . to prevent or invalidate the registration of *any* confusing geographical indications."[43] Even if the EC is offering an accurate reading of Article 14(3) – a point I will come back to later – this provision is not a substitute for Article 16.1. Article 16.1 requires WTO Members to grant rights to *trademark owners* to prevent particular *uses* of identical or similar GIs. Article 14(3), in contrast, merely permits the *EC authorities* to deny *registration* of GIs in some circumstances.

78. These are two critical distinctions and two critical ways in which Article 14(3) falls short of what is required by Article 16.1. It is not necessarily possible for a trademark owner – or, for that matter, the EC authorities – to know, on the face of an application for GI *registration*, if a GI will be *used* in a way that raises a likelihood of confusion with respect to a trademark.[44] The EC asserts that the product specifications submitted with a GI application will include "specific labeling details" that definitively limit the way in which the GI will be used.[45] Let me first note that 80 percent of GIs were registered upon accession of new EC member States, or upon adoption of the GI Regulation, and for many of those, product specifications are not even published in the EC's Official Journal. Even when product specifications are published, however, the Panel will note from Exhibit US-77 that the "specific labeling details"are not that specific at all. The "labeling" requirement for the registered GI "Lausitzer Leinöl," for example, reads, plain and simply, "Lausitzer Leinöl". The same goes for the registered GI "Kanterkass, Kanternagelkaas, Kanterkomijnekaas". The "labeling" requirements for the registered GIs "Timoleague brown pudding" and "Newcastle Brown Ale" read simply "PGI". These demonstrate that a trademark owner will not necessarily know at the time of registration how the GI will be used or if that use will be confusing.

79. This morning, in paragraphs 181-184 of its oral statement, we heard a bit of a shift in the EC's position. The EC now admits that GIs in the EC are used in much the same way as trademarks, that is, in a promotional way, to distinguish goods. And since the EC expects GIs to be used just like trademarks, the EC appears to be asking what is wrong with this trademark-like use of GIs, and why should the EC be concerned that the trademark owner may not be able to stop the use of such GIs if they are confusing. After, all, the EC argues, this trademark-like use is "legitimate." The problem, of course, is that under TRIPS Article 16.1, trademark owners have a right to prevent confusing uses of their signs, including GIs. "Legitimacy" is irrelevant. Under the EC system, trademark owners are powerless to prevent such confusing uses. We submit to the Panel that this is contrary to TRIPS Article 16.1.

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43 EC Second Written Submission, para. 270.

44 U.S. First Oral Statement, para. 54; US Responses to Questions, para. 87; U.S. Second Written Submission, paras. 131-135.

45 EC Second Written Submission, para. 300.

80. Another particular issue regarding use of a registered GI that could arise frequently within the EC – a union with 20 official languages – is use of the GI in translation. Use in translation – which would not be apparent from the GI application itself – could cause confusion with a prior valid registered trademark. The EC appears to suggest, but avoids stating definitively, that the scope of protected use of a registered GI excludes the right to use the registered name as translated into other EC languages.[46] The question that has not been answered is: "Does the registration of a term under the EC GI Regulation give the rightholder a positive right to use that term as translated into other EC languages?"

81. Nor, as the EC asserts,[47] do labeling, advertising and unfair competition laws offer trademark owners the standard of protection required by TRIPS Article 16.1 to prevent certain uses. Under these laws, the trademark owner (along with the general population) is granted other rights, but not the specific rights guaranteed by Article 16.1. For instance, and using one of the EC's own examples,[48] the fact that a trademark owner might be able to stop *injurious*, *deceptive* advertising is no substitute for being able to prevent confusing uses of identical or similar signs.

82. It is also critical that even under the EC view, Article 14(3) enables or requires the *EC authorities* to deny GI registrations in some circumstances. By its express terms, however, TRIPS Article 16.1 grants rights to *trademark owners*. This is important because as noted in the TRIPS preamble, "intellectual property rights are private rights . . ." And trademark owners, whose direct interests are at stake – and not government officials – are in the best position to identify confusing uses. While the United States welcomes efforts by the EC *authorities* to prevent registration of GIs that conflict with prior registered trademarks, even to the limited extent this is permitted by the GI Regulation, Article 14(3) cannot be sufficient, on its face, to satisfy the requirements of TRIPS Article 16.1, which are directed to *trademark owners*.

83. The EC now suggests that any trademark owner can challenge the validity of the GI registration before the EU Court of First Instance or, potentially, in infringement proceedings in EC member State courts, based on the EC's erroneous application of Article 14(3).[49] The implication is that this ability to challenge the registration on the basis of Article 14(3) permits the trademark owner to prevent confusing uses of his signs, as required by Article 16.1. But this is not accurate, first, because any such challenge must be brought *within two months of publication of the registration*.[50] This deadline has been very strictly enforced.[51] After two months, even if a trademark owner can prove that a use of a similar or identical registered GI results in a likelihood of confusion, it will not be able to challenge the registration. So, any confusing uses that arise after this deadline – and the savvy GI holder would be well advised to

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46 EC Second Written Submission, paras. 288, 293, 301.

47 EC Second Written Submission, para. 303.

48 EC Second Written Submission, para. 303.

49 EC Responses to Questions, paras. 153, 181; EC Second Written Submission, para. 296.

50 U.S. Second Written Submission, para. 138.

51 *See* citations included at U.S. Second Written Submission, para. 138 (note 120).

be cautious in the use of his GI during that time – cannot give rise to any challenge to the registration. In addition, it does not appear that GI registrations adopted via accession protocols are challengeable, for instance, even within the two-month time period.[52] Further, challenges to a GI registration by trademark owners in the EC member State courts will similarly be barred for those trademark owners who could have challenged the validity of the registration within the two-month deadline under Article 230 of the EC Treaty.[53] We find it fascinating that in its oral statement the EC referred to challenging the validity of registrations without mentioning these deadlines at all. Further, the EC appears to suggest that there are no deadlines for "referrals" to the ECJ under Article 234, yet neglects to note that even in the case of referrals, the registration may not be cancelled after the two-month deadline if the trademark owner could have challenged the registration under Article 230.

84. In any event, objections and challenges to GI registrations would be evaluated based on the substantive standard of Article 14(3), which is more restrictive than the standard required by TRIPS Article 16.1. The EC completely rewrites Article 14(3) when it claims that Article 14(3) "says that the registration of a geographical indication shall be refused if it is likely to lead to confusion with a trademark."[54] On its face, Article 14(3) limits the circumstances in which a GI will be denied registration to those instances in which a trademark's "reputation and renown and the length of time it has been used" make the GI "liable to mislead the consumer as to the true identity of the product." The EC has said that "the content of Regulation 2081/92 must be evaluated on the face of the measure."[55] We agree. And that is why the EC's reinvention of that provision should be rejected.

85. There was a discussion this morning about the role that reputation may play in the confusion analysis. The EC implies that reputation is always a factor in the confusion analysis, but, if you look even at the sources cited by the EC, it is plain that reputation is a factor in some instances – in the case of dissimilar goods, for instance – but not all. For instance, in the case of identical signs for identical goods, "reputation" would not enter into the analysis at all. Further, we encourage the Panel to consider the case of the owner of a registered trademark, perhaps with rights in only one EC member State, whose trademark is registered, but has no reputation, renown or length of time of use. Article 14(3) would not prevent the EC-wide registration of a GI that is confusing vis-a-vis that trademark. And would the trademark owner realistically be able to challenge in court a Commission decision to register that GI, in light of Article 14(3)'s requirement that the Commission consider the GI registration in light of the trademark's reputation, renown and length of time of use? Yet, that trademark owner is entitled to his Article 16.1 rights, despite the lack of reputation, renown, or use. In sum, Article 14(3) simply does not provide those rights required by TRIPS Article 16.1.

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[52] European Court of Justice Cases 31/86 and 35/86, *LAISA v Council*, [1988] ECR 2285.

[53] Case C-239/99, *Nachi Europe v. Hauptzollamt Krefeld*, [2001] ECR I-1197; Case C-188/92, *TWD Textilwerke Deggendorf v. Germany*, [1994] ECR I-833. Exhibit US-78.

54 EC Responses to Questions, para. 155.

55 EC Second Written Submission, para. 79.

86. The EC predictably relies on the supposed "substantial deference" it is due in interpreting the Regulation, but any deference simply cannot ignore the plain meaning of the Regulation. The EC cannot simply substitute TRIPS-consistent language that it wishes were there. Equally predictable, since the EC is stretching the meaning of Article 14(3) beyond the breaking point, is the EC's assertion that the United States must prove that the actual language of Article 14(3) is "the only reasonable interpretation" of that provision and that any interpretation contrary to the TRIPS Agreement is "impossible."[56] To the contrary, this Panel's job is to make an objective assessment of the facts, including with respect to the meaning of Article 14(3). The United States has presented compelling evidence of what Article 14(3) means. The EC has failed to rebut this evidence. Indeed, the reading of Article 14(3) offered by the EC ignores the text of the provision. And, in what has become somewhat of a recurring theme in this dispute, the EC's interpretation is a complete departure from the definitive guidance offered by the Commission on the meaning of Article 14(3) outside of this dispute, as recently as March 2004.[57] (We note parenthetically that we were at first embarrassed to learn from the EC's oral statement this morning that we have been citing out-dated guidelines, from four months ago. Then we looked at the exhibit, and realized that the new guidelines had only been issued last week. But in any case the relevant language on Article 14(3) is unchanged in the revised guidelines.). The EC's interpretation is irreconcilable with the way in which the terms included in Article 14(3) – reputation, renown and length of use – have been interpreted by WIPO and the Paris Union,[58] as well as by the ECJ and OHIM.[59] It is contrary to the understanding of Article 14(3) expressed by EC member States.[60] And even if the EC is offering a new view of what Article 14(3) means, we note that the Commission admits that it cannot here commit the EC to "new legal obligations."[61] We have no assurances that at some later date, if the Commission's reading comes back to haunt it before the ECJ, it will feel free to disown that reading.[62] For these reasons, the Panel should reject the EC's novel reading of Article 14(3), and further find that even if that reading were correct, the provision would not be an adequate substitute for Article 16.1 rights.

87. It is worth noting before I move on to Article 24.5 that the EC's first response to the trademark owner's lack of ability to prevent confusing uses is that "[t]hese concerns are largely theoretical". This repeated refrain of the EC ignores the fact that there is no requirement to challenge a specific application of a measure. That a measure denies TRIPS Agreement rights to trademark owners is enough.

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56 EC Second Written Submission, para. 274-275.

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

58 U.S. Second Written Submission, paras. 146-147.

59 U.S. Second Written Submission, paras. 150-152.

60 U.S. Second Written Submission, para. 148-149.

61 EC Responses to Questions, para. 30.

62 U.S. Second Written Submission, paras. 158-159, addressing the ECJ's judgment in *Petrotub*.

Article 24.5 of the TRIPS Agreement

88. I would like now to turn to the EC's argument that Article 24.5 of the TRIPS Agreement permits diminished protection of registered trademarks. I just want to underscore initially that Article 24.5 says only what measures adopted to implement the GI Section of TRIPS may *not* do *vis-a-vis* certain trademarks; it does not say what they *can* do. By its own terms, it does not *permit* the elimination of any trademark rights. Further, its context is as an "exception" to GI obligations, not as an exception to Article 16.1 obligations. It is curious, therefore, that this provision would be used to justify the non-fulfillment of *Article 16.1* obligations.

89. And, indeed, the EC concludes its Article 24.5 argument at paragraph 199 of its oral statement by stating that, "If the drafters deemed necessary to specify in Article 24.5 that the implementation of protection for geographical indications shall not prejudice the most basic right of the owner of a registered trademark ('the right to use it'), but not the right to exclude others from using it, the *clear implication* is that they did not intend to prevent Members from limiting the exercise of the latter right in order to allow the use of a geographical indication in co-existence with a grandfathered trademark."[63] In other words, the strongest support that the EC can muster for its interpretation of Article 24.5 – an interpretation that creates an enormous exception to Article 16.1 obligations – is a negative implication. This is a slim reed indeed on which to base an exception to such a fundamental obligation.

90. Our position has been set out in our various written submissions. Briefly, the prohibition against "prejudice . . . [of] the validity of the registration of a trademark" preserves the trademark owner's Article 16.1 rights.[64] This interpretation is supported by the fact that a trademark registration will be "prejudiced" or damaged if a Member fails to allow the trademark owner to prevent all others from confusing uses, given that the ordinary meaning of "validity of the registration of a trademark" refers to the possession of legal authority accorded by virtue of the entrance of a trademark in a register. This legal authority is defined in Article 16.1. Moreover, because the denial of the right to prevent confusing uses also prejudices the establishment and maintenance of the trademark's ability to distinguish goods of one enterprise from those of another, this prejudices its capability of "constituting a trademark" within the meaning of TRIPS Article 15.1, and thereby further prejudices the trademark's validity.

91. Further, the additional prohibition in Article 24.5 against "prejudice . . . [of] the right to use a trademark", also encompasses the Article 16.1 right to prevent all confusing uses of similar or identical signs.[65] The interpretation of Article 24.5 presented by the United States, based on the ordinary meaning of the terms, in context, and in light of the object and purpose of the TRIPS Agreement, is confirmed by the negotiating history of Article 24.5, which reveals a progressive evolution in favor of protecting grandfathered trademarks, including through introduction of a

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[63] Emphasis added.

64 U.S. Second Written Submission, paras. 173-175.

65 U.S. Second Written Submission, para. 176.

reference to common law trademarks at the same time that the phrase "right to use" was added.[66] By contrast, as we have stated in our submissions, the EC misreads the text and disregards its context by interpreting the prohibition on a GI's prejudicing "the right to use a trademark" (on the basis that is it similar to a geographical indication) as an *affirmative right, again by implication, to prejudice the specific right accorded trademark owners under Article 16.1 to exclude all others from confusing uses of identical or similar signs.* In support, the EC also proposes a far-fetched reading of the negotiating history for an entirely different provision (Article 24.4).[67] Even if the EC's interpretation of "right to use" were correct – that is, that it refers only to affixing certain signs to goods – the fact that the right to use those signs should not be prejudiced on the basis of their similarity with GIs has no bearing on the other obligation in Article 24.5: the obligation not to prejudice the validity of trademark registrations.

92. I want to emphasize that in its oral statement the EC refers once again to a trademark owner's right to affix a sign. Article 24.5 does not, however, talk about not prejudicing the right to *affix signs* to goods; it talks about not prejudicing the right to *use a trademark* on certain grounds. Trademarks have certain legal rights associated with them, as reflected in both Articles 16.1 and 15.1. The purpose of a trademark is to distinguish the goods of one manufacturer from the goods of another. Signs are just signs. The EC's interpretation ignores this plain text of Article 24.5 and its context.

93. The EC asserts that Article 24.5 is a provision that defines "the boundary between the protection of trademarks and the protection of geographical indications."[68] This is only partially correct. As an exception to the GI section, it defines only *one of several* boundaries – *i.e.*, it limits the scope of GI protection *vis-à-vis* certain grandfathered trademarks. Article 17, the exception to the trademark section, defines another boundary, by limiting the scope of trademark protection. The EC's understanding of the role of Article 24.5 is inconsistent with the context of an Agreement that includes separate exceptions for trademark protection and for GI protection.

94. With respect to the fact that Article 24 is entitled "international negotiations; exceptions", the EC now seems to argue that the context of Article 24.5 – specifically, its placement among "exception" provisions under a heading entitled "exceptions" – is irrelevant with respect to Article 24.5, although the EC acknowledges that it is meaningful for Articles 24.6, 24.7, 24.8, and 24.9, and presumably would not deny that Articles 24.1 and 24.2 relate to international negotiations.[69] The EC implies that the placement of Article 24.5 as part of Article 24 was a drafting error despite the fact that the drafters correctly positioned other provisions. There is simply no evidence to support this contention.

95. Finally, the EC apparently contends that Article 24.5 accords additional rights to

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66 U.S. Responses to Panel Question 76, paras. 102-105.

67 U.S. Second Written Submission, paras. 177-187.

68 EC Second Written Submission, para. 314.

69 EC Second Written Submission, paras. 313-314.

trademarks that are not provided by Article 16.1, and that it therefore cannot be regarded as an exception to GI protection.[70] Now, it is not at all clear how Article 24.5 accords additional rights to trademarks, since it simply limits the ability of GIs to prejudice trademarks. But even if it did, this does not take away from the fact that Article 24.5, by its own terms, acts as a shield for certain trademarks against GIs, and contains no provisions for limiting trademark rights. There is no rule that a provision that recognizes one right, such as with respect to trademarks, cannot be an exception to a separate obligation, such as with respect to GIs. To the contrary. Article 24.8, for example, limits GI protection in light of a person's right to use their own name, even though use of a person's name is not a form of intellectual property protected elsewhere in the TRIPS Agreement.

Article 24.3 of the TRIPS Agreement

96. With respect to the EC's claim that Article 24.3 requires the EC to maintain in place any violation of Article 16.1 that existed as of the entry into force of the TRIPS Agreement, the EC declines to provide any further arguments in its second written submission. We have already responded to the EC's argument that Article 24.3 mandates the maintenance of any system of GI protection, regardless of how contrary it is to other WTO obligations. In particular, the United States has explained that Article 24.3, like Article 24.5, is an exception to the protection of geographical indications (not trademarks) and that, by its introductory clause (*i.e.*, "In implementing *this Section")*, it limits only actions taken to implement the GI section of the TRIPS Agreement, and has no effect on other sections.[71] The EC, by contrast, implies that the "exception" heading for Article 24 is apparently the result of a drafting mistake[72] – and not part of the context of the provision – and inexplicably reads "in implementing *this Section"* to mean "in implementing *this Agreement*".

97. Moreover, given that the TRIPS Agreement was essentially unchanged between December 1991 and the time it entered into force three years later, the EC's interpretation of Article 24.3 would lead to the absurd result that a Member could have put in place a measure protecting GIs but containing blatant violations of numerous WTO obligations in the TRIPS Agreement and elsewhere, and then simply claim that Article 24.3 prevents the WTO-inconsistent measure from being modified. This is not what the provision says, is not consistent with its context, and could not have been what the Members intended. Indeed, a more logical reading of the text is that the reference to "diminish the protection of geographical indications that existed" in Article 24.3 is a reference to protection that existed with respect to individual GIs, rather than to entire systems of GI protection.[73] This interpretation is confirmed not just by the ordinary meaning, but also by the absurd ramifications that would result if the phrase were

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70 EC Second Written Submission, para. 315.

71 U.S. Second Written Submission, paras. 188-190.

72 EC Second Written Submission, para. 313 ("Article 24.3 is clearly not an exception"); EC Responses to Panel Question 74, para. 191.

73 U.S. Second Written Submission, para. 196-197.

interpreted to apply to systems of protection.

98. Contrary to the EC's arguments, any measures taken to protect GIs at the expense of other WTO rights before the effective date of the TRIPS Agreement would not reflect bad faith, since Article 24.3, at least under the EC's reading, would specifically anticipate such measures.

Article 17 of the TRIPS Agreement

99. The EC maintains that the failure of the GI Regulation to accord owners of prior valid registered trademarks their "exclusive right to prevent all third parties" from confusing uses of identical or similar GIs, is a "limited exception" justified by TRIPS Article 17.[74] Indeed, the EC asserts that a system that allows Members "to define in advance . . . the conditions for the application of an exception" has the "advantage of providing greater legal certainty to all parties involved, including the trademark owners."[75] The United States does not dispute that Article 14(2) of the GI Regulation provides a great degree of legal certainty – as the trademark owner will *always certainly* be unable to exercise its Article 16.1 rights *vis-à-vis* registered GIs.

100. If a blanket exception, requiring trademark owners to sell their products alongside the products of an *unlimited* number of producers using identical or similar signs in a confusing manner, is considered "limited", then the United States fails to understand how the EC accords "limited" a meaning providing any protection at all to a trademark. The phrase "limited exceptions", used in the context of TRIPS Article 30, was interpreted by the *Canada – Patent Protection* panel to "connote a narrow exception – one which makes only a small diminution of the rights", where "limited" was "measured by the extent to which the exclusive rights of the patent owner have been curtailed."[76] In this dispute, the EC has pointed to no true limits on the exception to the exclusive rights that trademark owners must tolerate under the GI Regulation. In fact, under the GI Regulation, the trademark owner is unable to assert its Article 16.1 rights during an *unlimited* period of time, and against an *unlimited* number of producers and products.

101. The EC's response that the trademark owner retains the right to prevent non-GI holders from confusing uses of similar or identical signs[77] is not relevant to the fact that they have already been subject to an unlimited exception. After all, diminution of the trademark owner's right to exclude can result in the loss of trademark rights.[78] Nothing in the GI Regulation prevents the possibility of a total loss of trademark rights – a result that obviously cannot be considered "a small diminution of the rights in question."[79]

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74 EC Second Written Submission, paras. 336-338.

75 EC Second Written Submission, para. 346.

76 Panel Report, *Canada-Patent Protection*, paras. 7.30-7.31. *See* US SWS, para. 201 and note 197.

77 EC Second Written Submission, para. 336.

78 *See* U.S. Second Written Submission, para. 167 and note 167, citing German Federal Supreme Court, Decision 06.12.1990 – Case No. 1 ZR 297/88 ("SL"). (Exhibit US-67).

79 Panel Report, *Canada-Patent Protection*, para. 7.30.

102. While TRIPS Article 17 contemplates some curtailment of the rights granted in Part II, Section 2 of the TRIPS Agreement, the language of Article 17 emphasizes that this curtailment for any particular trademark should be limited. Article 17 permits "limited exceptions to the rights conferred by *a* trademark"; it does not permit virtually unlimited exceptions to the rights of a limited *number* of trademarks. Thus, Article 17 permits limited exceptions to the rights conferred by a trademark, such that, as explained by the *Canada – Patent Protection* panel in the patent context, "the extent of the acts unauthorized by the right holder that are permitted by [the exception] will be small and narrowly bounded."[80] This is precisely the type of limited exception that would now be in place had the EC accepted a proposed amendment by a committee of Parliament that would have incorporated the substantive disciplines of trademark law, including the fair use exception thereof, into the GI Regulation.[81] But this amendment was rejected.

103. The EC also points to the specific reference in Article 17 to "fair use of descriptive terms" as a specified type of "limited exception", and argues that "[i]f 'fair use' of an indication of source qualifies as a 'limited exception' . . . so must be, *a fortiori*, the fair use of a geographical indication registered under Regulation 2081/92."[82] As an initial matter, we note that a "descriptive" term is one that is "characterized by description", where description refers to "[a] detailed account of a . . . thing."[83] Registered GIs, by contrast, are a form of intellectual property, with associated rights, that are not merely "descriptive." They are source indicators that represent "a quality, reputation or other characteristic of the good [that] is essentially attributable to its geographical origin." The EC cannot fairly assert, therefore, that all registered GIs can, without exception, be considered merely "descriptive".

104. Further, the EC's argument highlights its erroneous understanding that every use of a registered GI, regardless of the extent to which it affects the rights of a trademark, must be considered "fair" simply because the GI is registered. Indeed, the EC did not provide an interpretation of the phrase "fair use". This is probably because "fair" refers to use that is "just", "equitable, impartial."[84] In the copyright context, for example, "[f]air use involves a balancing process by which a complex of variables determine whether other interests should override the rights of the creators."[85] The EC fails to explain how a blanket and *unlimited* exception to Article 16.1 rights for owners of all trademarks that are similar or identical to registered GIs can, in every situation, be considered "just" or "equitable", or how trademark owners are accorded the

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80 Panel Report, *Canada-Patent Protection*, para. 7.45.

81 *See* U.S. First Oral Statement, at para. 75, citing Opinion of the Committee on Legal Affairs and the Internal Market for the Committee on Agriculture and Rural Development on the proposal for a Council regulation amending Regulation (EEC) No 2081/92 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs, European Parliament, 2002/0066(CNS) (10 September 2002), pp. 13-14. Exhibit US-21.

82 EC Second Written Submission, para. 338.

83 The New Shorter Oxford English Dictionary, p. 644. Exhibit US-79.

84 The New Shorter Oxford English Dictionary, p. 907. Exhibit US-79.

85 Black's Law Dictionary (Abridged Sixth Edition 1991), p. 415. Exhibit US-80.

benefit of a "balancing process". After all, the "fair use" must be a "limited exception".

105. Finally, the EC has not demonstrated that the GI Regulation takes into account the "legitimate interests" of third parties or of the trademark owner. For example, by diminishing the trademark owner's Article 16.1 rights, the GI Regulation results in consumer confusion, which is certainly not in their "legitimate interests". Nor are the legitimate interests of a trademark owner respected through a blanket exception that benefits GI right holders without any regard for the trademark owner.

Conclusion

106. Before I conclude, I want to note that, as we listened to the oral statement of the EC this morning, we found that in most paragraphs in which the EC discusses a U.S. argument or an exhibit, the EC's characterizations were inaccurate or misleading. For example, the EC implies that Hungary's ministerial reasoning with respect to its GI law has no relation to the EC GI Regulation, because that law applies only to products not covered by the EC GI Regulation. But the fact is that Hungary had to change its law upon accession to render it consistent with the EC GI Regulation and, in doing so, made clear that Article 14(3) provides protection to well-known marks. That reasoning, therefore, is directly pertinent to the EC GI Regulation and not in the least irrelevant. Similarly, the EC claims that its GI Regulation guidelines merely "repeat[] verbatim the wording of Article 14(3)" and therefore does not support the U.S.'s reading of that article. But this is untrue. In fact, the guidelines emphasize that conflicting trademarks do not prevent the registration of GIs "as a general rule"; that Article 14(3) represents the "only" circumstance in which this is not true; and that "in all other cases, the name can be registered notwithstanding the existence of the registered trademark." While this explanation is entirely consistent with any good-faith reading of Article 14(3), it is not in any sense a verbatim repetition.

107. You will be happy to hear, in light of the hour, that we considered, but rejected, the idea of rebutting each of the EC's misrepresentations paragraph by paragraph. Instead, we simply want to point out this aspect of the EC statement to the Panel, note several examples, both here and earlier in our statement, and strongly suggest that the Panel examine the source material – and not just the representations in the oral statements of the parties – as they consider the parties' arguments.

108. To conclude, as I said at the outset, we brought this dispute – after five years of fruitless consultations – because the EC GI Regulation provides significant commercial benefits to products and persons receiving GI status under the Regulation, but imposes prohibitive barriers to access to these benefits on non-EC products and persons. It also provides those significant benefits to EC persons and products at the expense of owners of prior registered trademarks, who are supposed to have certain rights associated with their trademarks under the TRIPS Agreement. We therefore ask that the Panel find that the EC GI Regulation is inconsistent with the EC's

obligations under the TRIPS Agreement, the Paris Convention, and the GATT 1994, as set out in our written submissions and oral statements in this proceeding.

109. Thank you very much for your attention and for your hard work in analyzing the claims and arguments of the Parties in this dispute. We would be happy to answer any questions the Panel may have.