

**EUROPEAN COMMUNITIES – PROTECTION OF  
TRADEMARKS AND GEOGRAPHICAL INDICATIONS FOR  
AGRICULTURAL PRODUCTS AND FOODSTUFFS**

Complaint by Australia

*Report of the Panel*



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<i>Argentina – Footwear(EC)</i>	Appellate Body Report, <i>Argentina – Safeguard Measures on Imports of Footwear</i> , WT/DS121/AB/R, adopted 12 January 2000, DSR 2000:I, 515
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<i>Canada – Pharmaceutical Patents</i>	Panel Report, <i>Canada – Patent Protection of Pharmaceutical Products</i> , WT/DS114/R, adopted 7 April 2000, DSR 2000:V, 2289
<i>EC – Asbestos</i>	Appellate Body Report, <i>European Communities – Measures Affecting Asbestos and Asbestos-Containing Products</i> , WT/DS135/AB/R, adopted 5 April 2001, DSR 2001:VII, 3243
<i>EC – Bananas III</i>	Appellate Body Report, <i>European Communities – Regime for the Importation, Sale and Distribution of Bananas</i> , WT/DS27/AB/R, adopted 25 September 1997, DSR 1997:II, 591
<i>EC – Bananas III (US)</i>	Panel Report, <i>European Communities – Regime for the Importation, Sale and Distribution of Bananas – Complaint by the United States</i> , WT/DS27/R/USA, adopted 25 September 1997, as modified by the Appellate Body Report, WT/DS27/AB/R, DSR 1997:II, 943
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<i>EEC – Parts and Components</i>	GATT Panel Report, <i>European Economic Community – Regulation on Imports of Parts and Components</i> , adopted 16 May 1990, BISD 37S/132
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<i>India – Patents (US)</i>	Panel Report, <i>India – Patent Protection for Pharmaceutical and Agricultural Chemical Products – Complaint by the United States</i> , WT/DS50/R, adopted 16 January 1998, as modified by the Appellate Body Report, WT/DS50/AB/R, DSR 1998:I, 41
<i>India – Patents (EC)</i>	Panel Report, <i>India – Patent Protection for Pharmaceutical and Agricultural Chemical Products – Complaint by the European Communities</i> , WT/DS79/R, adopted 22 September 1998, DSR 1998:VI, 2661
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<i>US – Carbon Steel</i>	Appellate Body Report, <i>United States – Countervailing Duties on Certain Corrosion-Resistant Carbon Steel Flat Products from Germany</i> , WT/DS213/AB/R and Corr.1, adopted 19 December 2002
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<i>US – Section 211 Appropriations Act</i>	Appellate Body Report, <i>United States – Section 211 Omnibus Appropriations Act of 1998</i> , WT/DS176/AB/R, adopted 1 February 2002
<i>US – Section 301 Trade Act</i>	Panel Report, <i>United States – Sections 301-310 of the Trade Act of 1974</i> , WT/DS152/R, adopted 27 January 2000, DSR 2000:II, 815
<i>US – Section 337</i>	GATT Panel Report, <i>United States Section 337 of the Tariff Act of 1930</i> , adopted 7 November 1989, BISD 36S/345

## I. INTRODUCTION

1.1 On 17 April 2003, Australia requested consultations<sup>1</sup> with the European Communities pursuant to Article 4 of the Understanding on Rules and Procedures Governing the Settlement of Disputes ("DSU"), Article XXII of the General Agreement on Tariffs and Trade 1994 ("GATT 1994"), Article 64 of the Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS Agreement") and Article 14 of the Agreement on Technical Barriers to Trade ("TBT Agreement") concerning the protection of trademarks and the registration and protection of geographical indications for foodstuffs and agricultural products in the European Communities. The request was circulated to Members on 23 April 2003 in document WT/DS290/1. Consultations were held on 27 May 2003 but did not lead to a resolution of the dispute.

1.2 On 18 August 2003, Australia requested the Dispute Settlement Body ("DSB") to establish a panel pursuant to Articles 4.7 and 6 of the DSU, Article XXIII:2 of GATT 1994, Article 64 of the TRIPS Agreement and Article 14 of the TBT Agreement.<sup>2</sup> At its meeting on 2 October 2003, the DSB established a single Panel pursuant to the requests of the United States in document WT/DS174/20 and Australia in document WT/DS290/18, in accordance with Article 9 of the DSU (WT/DSB/M/156)<sup>3</sup>. At that meeting, the parties to the dispute also agreed that the Panel should have standard terms of reference. The terms of reference are, therefore, the following:

"To examine, in the light of the relevant provisions of the covered agreements cited by the United States in document WT/DS174/20 and Australia in document WT/DS290/18, the matter referred to the DSB by the United States and Australia in those documents, and to make such findings as will assist the DSB in making the recommendations or in giving the rulings provided for in those agreements."

1.3 On 13 February 2004, the United States and Australia requested the Director-General to determine the composition of the Panel, pursuant to paragraph 7 of Article 8 of the DSU.

1.4 On 23 February 2004, the Director-General accordingly composed the Panel as follows:

Chair: Mr Miguel Rodríguez Mendoza

Members: Prof. Seung Wha Chang  
Mr Peter Kam-fai Cheung

1.5 Argentina, Australia (in respect of the United States' complaint), Brazil, Canada, China, Colombia, Guatemala, India, Mexico, New Zealand, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (hereinafter referred to as "Chinese Taipei"), Turkey and the United States (in respect of Australia's complaint) reserved their rights to participate in the Panel proceedings as third parties.

1.6 The Panel met with the parties on 23-24 June 2004 and on 11-12 August 2004. It met with the third parties on 24 June 2004.

1.7 The Panel submitted its interim report to the parties on 16 November 2004. The Panel submitted its final report to the parties on 21 December 2004.

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<sup>1</sup> WT/DS290/1.

<sup>2</sup> WT/DS290/18.

<sup>3</sup> WT/DS290/19 and Corr.1.

## **II. FACTUAL ASPECTS**

### **A. MEASURE AT ISSUE**

2.1 The measure at issue in this dispute is identified in Australia's request for establishment of a panel as Council Regulation (EEC) No. 2081/92 of 14 July 1992 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs, any amendments thereto (including Council Regulation (EC) No. 692/2003 of 8 April 2003, published in the Official Journal of the European Union No. L99 of 17 April 2003), and related implementing and enforcement measures.

### **B. PROCEDURAL HISTORY**

#### **1. Preliminary ruling prior to the first written submissions**

2.2 On 24 February 2004, the day after the Panel was composed and prior to the organizational meeting, the European Communities requested that the Panel issue a preliminary ruling that the United States' and Australia's respective requests for establishment of a panel were inconsistent with the requirements of Article 6.2 of the DSU. The European Communities considered it appropriate that the Panel issue a preliminary ruling before the first written submissions of the parties were due.

2.3 At the organizational meeting, the Panel sought the parties' views on appropriate procedures to deal with this request. The complainants did not object to filing written responses to the request for a preliminary ruling prior to their first written submissions but requested additional time for the filing of their first written submissions.

2.4 On 8 March 2004, the Panel adopted its working procedures and timetable, which indicated a date for the United States and Australia to file written responses to the European Communities' request for a preliminary ruling. They submitted their responses accordingly.

2.5 On 5 April 2004, the Panel issued a preliminary ruling, which is set out in full in Section VII:A of this report.

2.6 On 20 April 2004, the European Communities sent a letter to the Panel expressing its regret at the Panel's ruling and "reserving its right to raise issues of law regarding the interpretation of Article 6.2 of the DSU before the Appellate Body". In its letter, the European Communities asked the Panel to clarify the status of its preliminary ruling of 5 April 2004, in particular whether such ruling would be incorporated into the Panel's final reports and whether the findings contained in the ruling would be an integral part of the final reports.

2.7 On 23 April 2004, the Panel responded to the European Communities, advising that its preliminary ruling would be reflected in the Panel's final reports, as appropriate.

2.8 On 26 April 2004, the European Communities sent a second letter to the Panel indicating that it had understood from the Panel's previous response that the findings contained in the preliminary ruling of 5 April 2004 would be incorporated into the Panel's final reports, and could, therefore, be appealed in the same way as any legal interpretation contained in these reports.

2.9 On 28 April 2004, the Panel responded again to the European Communities, advising that it had taken note of the European Communities' letter of 26 April 2004 and reiterating that its preliminary ruling would be reflected in its final reports, as appropriate.

## **2. Request for extension of time**

2.10 On 9 March 2004, the European Communities requested that the Panel extend the period for it to submit its first written submission in view of the circumstances that (a) there were two cases brought by two complainants; (b) these cases did not appear to contain identical claims; and (c) these cases raised new and complex issues and involved a large number of claims. It also alleged that the timetable was unbalanced in favour of the complainants.

2.11 On 16 March 2004, the United States and Australia each responded to the European Communities' request, disagreeing with its assertions but not objecting to an extension of the period for the European Communities to submit its first written submission, provided that such extension would not affect the timeframe structure of the remainder of the timetable.

2.12 On 22 March 2004, the Panel revised its timetable, extending the time for the submission of the respondent's first written submission, without affecting the time between any of the subsequent steps as established in the original timetable.

## **3. Request for separate reports**

2.13 On 3 March 2004, after the conclusion of the Panel's organizational meeting, the European Communities filed a request pursuant to Article 9.2 of the DSU that the Panel submit separate reports on the present dispute. On 8 March 2004 the Panel acknowledged receipt of such request. The complainants did not comment on this request.

2.14 On 23 April 2004, the Panel informed the parties that it would submit separate reports on this dispute, as requested by the European Communities.

2.15 At the second substantive meeting with the parties on 11-12 August 2004, the Panel invited the parties to comment on the way in which the Panel should submit separate reports. The Panel took note of the parties' views and confirmed the following facts: (a) the complainants have made similar, but not identical claims in this dispute; (b) the complainants have made separate written submissions and separate oral statements and submitted separate responses to questions, although they did submit 16 common exhibits with their respective first written submissions; (c) the complainants have not collectively endorsed the arguments made in one another's submissions although Australia, in its first oral statement, expressly endorsed certain comments made by the United States<sup>4</sup>, and the United States, on occasions, cited information and arguments submitted by Australia in support of its arguments; and (d) although each complainant reserved its right to participate in the Panel proceedings as a third party in respect of the other's complaint, they did not exercise these rights. They both declined the opportunity given to them by the Panel to make a statement as a third party during the session with the third parties.

## **4. Request for factual information from the International Bureau of WIPO**

2.16 On 9 July 2004, the Panel sent a letter to the International Bureau of WIPO requesting its assistance in the form of any factual information available to it relevant to the interpretation of certain provisions of the Paris Convention for the Protection of Industrial Property.<sup>5</sup> The parties were given the opportunity to comment.

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<sup>4</sup> Australia also stated that it endorsed all arguments put forward by the United States in its closing statement at the second substantive meeting. This is considered in paragraphs 7.69-7.82, below.

<sup>5</sup> Attached as Annex D-2 to this report.

2.17 The International Bureau's reply was received by the Panel and the WTO Secretariat on 14 September 2004. The Panel gave the parties an opportunity to submit comments on the reply by 28 September 2004. The parties submitted their comments accordingly.<sup>6</sup>

2.18 The factual information provided by the International Bureau consists of a note it prepared and five annexes containing excerpts from the Official Records of the various Diplomatic Conferences which adopted, amended or revised the provisions currently contained in Articles 2 and 3 of the Paris Convention (Stockholm Act of 1967)<sup>7</sup>.

### **III. PARTIES' REQUESTS FOR FINDINGS AND RECOMMENDATIONS**

#### **A. AUSTRALIA**

3.1 Australia requests that the Panel find that the measures at issue are inconsistent with the European Communities' obligations under:

- (a) Articles 1.1, 1.3, 3.1, 16.1, 22.2, 24.5, 41.1, 41.2, 41.3, 42, and 65.1 of the TRIPS Agreement and Article 2.1 of the TRIPS Agreement, incorporating Articles 2(1) and 2(2), 10*bis*(1) and 10*ter*(1) of the Paris Convention (1967);<sup>8</sup>
- (b) Article III:4 of GATT 1994;
- (c) Articles 2.1 and 2.2 of the TBT Agreement; and
- (d) Article XVI:4 of the WTO Agreement.

3.2 Australia requests that the Panel recommend that the European Communities bring its measures into conformity with its obligations under the WTO Agreement, including in respect of the TRIPS Agreement, GATT 1994 and the TBT Agreement.

#### **B. EUROPEAN COMMUNITIES**

3.3 The European Communities requests that the Panel:

- (a) find that certain measures no longer in force or not yet adopted at the time the Panel was established, and Australia's claims "under Articles 43, 44, 45, 46, 47, 48, 49 of the TRIPS Agreement", under Article 2(2) of the Paris Convention (1967) and "under Article 4 of the Paris Convention (1967)" as incorporated by Article 2.1 of the TRIPS Agreement, are outside the Panel's terms of reference; and
- (b) reject all claims within the Panel's terms of reference.

### **IV. ARGUMENTS OF THE PARTIES**

4.1 The arguments of the European Communities and Australia, as set out in their submissions (European Communities' request for a preliminary ruling; Australia's response to the European Communities' request for a preliminary ruling, first written submissions, written rebuttals, oral statements, responses to questions; comments on each other's responses; and comments on the factual information from the International Bureau of WIPO), are attached as Annexes A and B.

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<sup>6</sup> The submissions are attached to this report as Annexes A-10 and B-10.

<sup>7</sup> The International Bureau's Note, but not its annexes, are attached as Annex D-3 to this report.

<sup>8</sup> Australia withdrew a claim made under Article 20 of the TRIPS Agreement as described in paragraph 7.53 below.

## V. ARGUMENTS OF THE THIRD PARTIES

5.1 The arguments of those third parties that made submissions to the Panel (first written submissions, oral statements and responses to questions) are summarized and attached as Annex C.

## VI. INTERIM REVIEW

6.1 On 16 November 2004, the Panel submitted its interim report to the parties. On 30 November 2004, Australia and the European Communities submitted written requests for review of precise aspects of the interim report. On 7 December 2004, Australia and the European Communities submitted written comments on each other's request for interim review.

6.2 The Panel has modified aspects of its report in light of the parties' comments where it considered appropriate, as explained below. The Panel has also made certain revisions and technical corrections for the purposes of clarity and accuracy. References to paragraph numbers and footnotes in this Section VI refer to those in the interim report, except as otherwise noted.

### Further comments on 5 April 2004 preliminary ruling

6.3 The **European Communities** requests the deletion of paragraphs 7.3 to 7.7 as the conformity of a panel request with Article 6.2 of the DSU must be evaluated on the face of the panel request. In its view, the references to discussions that take place in other fora, such as the Council for TRIPS, are irrelevant for this purpose.

6.4 **Australia** responds that nothing in the DSU precludes the Panel noting that subsequent events confirmed the correctness of a particular conclusion.

6.5 The Panel recalls that the European Communities made a request for a preliminary ruling the day after the Panel was composed in which it alleged defects in the panel request and submitted that it was appropriate that the Panel issue a preliminary ruling before the first written submissions of the parties were due. The Panel issued a preliminary ruling accordingly, in which it found that those allegations were unfounded on the face of the panel request and on the basis of the facts available to it at that time. That preliminary ruling sets out part of the basic rationale for the Panel's findings and recommendation in this dispute. Accordingly, in the course of making an objective assessment of the facts, the Panel does not disregard probative evidence relevant to that ruling submitted later in the course of the proceeding, other than the references to what took place during the consultations, which were without prejudice to the rights of the European Communities and other parties in these proceedings, in accordance with Article 4.6 of the DSU. The Panel has modified the relevant paragraphs, numbered 7.3 to 7.9 of the final report, to elaborate on the reasons for their inclusion.

### Other preliminary rulings

6.6 **Australia** requests that the Panel elaborate its reasoning in paragraphs 7.35 to 7.39 and 7.42 to 7.45 with a view to reconciling it with that of the Appellate Body in *Korea – Various Measures on Beef*. Australia asserts that at paragraph 88 of its report on that dispute, the Appellate Body held that a panel could validly examine a WTO provision not specified in the panel request for the purposes of determining the consistency of a measure with a provision that was specified in the panel request.

6.7 As a general comment, the **European Communities** considers that the interim review stage should not serve as an occasion to restate major parts of a party's arguments, nor to relitigate substantial parts of the interim report. Accordingly, the European Communities indicates that it refrains from commenting on all but two of the numerous issues raised by Australia without implying

its agreement to the others. Specifically, the European Communities asks the Panel to include the preliminary rulings in these paragraphs in its conclusions at paragraph 8.1.

6.8 The Panel notes that paragraph 7.38, numbered 7.42 in the final report, already explains why the assertion of an inconsistency with Article 4 of the Paris Convention (1967) amounts to a claim, rather than an argument. That distinction is referred to in the passage which Australia cites in its interim review comments. The Panel has added further detail and quotations of language where Australia in effect asserted its claim and made consequential amendments. The Panel notes that paragraph 39 of the Panel's preliminary ruling set out at paragraph 7.2 of the report already explains the basis on which the Panel accepted that the claim under Article 41 of the TRIPS Agreement was within its terms of reference. The Panel did not rule that Article 41 was within the terms of reference in all respects. This situation is quite different from that of the claims and arguments in the case to which Australia refers.

#### Claims regarding the "EC measure as a whole"

6.9 **Australia** comments that, apart from one limited aspect relating to the regulatory committee, the Panel has not addressed its claim that the EC measure as a whole accords less favourable treatment to imported products bearing an EC-defined GI than to like domestic products bearing an EC-defined GI, contrary to Article III:4 of GATT 1994. It requests that the Panel address the claim and reflect its finding on the "EC measure as a whole" in the conclusions.

6.10 The Panel notes that Australia made claims regarding the "EC measure as a whole" under both the TRIPS Agreement and GATT 1994. With respect to the claims under the TRIPS Agreement, Australia referred in paragraphs 195 to 205 of its first written submission to five aspects of the Regulation which the Panel dealt with separately in sub-sections B.2, B.1, E.5, B.3 and E.3 of the findings, respectively. With respect to the claims under Article III:4 of GATT 1994, Australia listed eight bullet points at paragraph 177 of its first written submission and referred to their cumulative effect at paragraph 178. The Panel dealt with the third to sixth points in sub-section B.1 of the findings, the seventh point in sub-section B.2 and the eighth point in sub-section B.4. The Panel has added paragraphs 7.274 and 7.275 of the final report to explain why it is unnecessary to consider further the first and second points or the cumulative effect, and revised paragraph 7.66, numbered 7.68 in the final report, with respect to the labelling requirement, which was not mentioned in the first written submission in support of this claim. As for the conclusions, the Panel specifically sought the parties' views on whether they sought separate rulings on the procedural aspects of the Regulation or a ruling on the Regulation as a whole, in Panel question No. 49. In its response, Australia requested "that the Panel's findings be sufficiently detailed so as to facilitate a positive solution to the current dispute". The Panel has identified specific aspects of the Regulation in its conclusions which it has found inconsistent with a covered agreement in order to enable the European Communities to implement the recommendation. The Panel has not added a separate conclusion on the measure as a whole as this would not facilitate a positive solution to this dispute.

#### Endorsement of arguments by co-complainant

6.11 **Australia** requests that the Panel amend paragraphs 7.67 to 7.75. It comments that it did endorse generally all U.S. arguments, and did not just purport or attempt to endorse the arguments. This is a separate issue from whether the Panel considered any arguments that arose from this general endorsement. Australia recalls that a panel is not bound to accept the arguments of any party and is free to develop its own legal reasoning. Where there is a single panel, but multiple complainants and multiple reports, a panel can use arguments put to it by either party in assessing common claims. In this context, Australia has the right – either on grounds of efficiency or by way of endorsing either similar or alternative arguments – to endorse, in general terms, arguments by the other complainant in this dispute.



6.12 With respect to the timing of the general endorsement, Australia recalls the Appellate Body's comment in *India – Patents (US)* (at para. 88) that arguments – as distinct from claims – "are set out and progressively clarified in the first written submissions, the rebuttal submission and the first and second Panel meetings with the parties as a case proceeds" and asserts that, in this dispute, the timing of the general endorsement can be readily explained when the appropriate context is recalled. At the time of the first opening statement, Australia endorsed U.S. arguments relating to the European Communities' obligations concerning the overlapping claims that Australia and the United States had made with regard to national treatment (under the TRIPS Agreement and GATT 1994) and trademark rights. The rest of Australia's first opening statement covered mainly claims that had not been made by the United States, namely, claims under Article 22.2 of the TRIPS Agreement and under the TBT Agreement. Australia repeated this endorsement at the opening of the second panel hearing. During the second hearing, however, the European Communities sought to make much of the fact that the United States and Australia did not have exactly the same arguments and that this meant that the European Communities' arguments were correct. It was in seeking to reject the European Communities' attempt to make more of the different arguments by the complainants that Australia responded by clarifying that it endorsed all of the United States' arguments.

6.13 Australia accepts that it could have made clearer that its general endorsement was on the basis of endorsing the United States' arguments as alternative arguments wherever these were inconsistent with Australian arguments. However, Australia maintains that any differences between the United States' and Australian arguments are not material to the matter before the Panel. For example, regardless of the interpretation of Article 24.5 of the TRIPS Agreement, both Australia and the United States agree that it does not provide the European Communities with an excuse for its breach of Article 16.1 of the TRIPS Agreement.

6.14 Australia refers to the statement in paragraph 7.72 that the Panel (or the European Communities) should not have to sift through the United States or Australian arguments looking for any inconsistency in order to understand the Australian case (where it intersects with the general endorsement of the United States' arguments). The Panel's comments may indicate that it does not consider a careful sifting of all of the arguments put to it, including Australia's, to be a necessary and integral part of its role. As such a view would be clearly contrary to Article 11 of the DSU, Australia requests that the statement be amended or withdrawn.

6.15 Australia refers to the statement at paragraph 7.74 and asserts that the Panel attributes, without evidence, certain motives to Australia and, as a consequence, impugns Australia's conduct. However, it asserts that the Panel's assessment of Australia's motives is wrong and requests that the statement be withdrawn. While the Panel is right to ensure that a respondent's due process rights are protected, Australia comments that it is also incumbent on the Panel to respect the rights of a complainant and to ensure a fair hearing for all parties to a dispute. The European Communities did not object to a single panel being established by the DSB. Further, the European Communities was given extra time to prepare its first written submission, notwithstanding the largely overlapping nature of the claims by both complainants. In the hearings, the European Communities was allowed to speak as long as it wished, to introduce irrelevant material late in the process, to continuously reiterate immaterial points, and to waste time by asking the complainants a large number of irrelevant questions. This hardly suggests that the European Communities has suffered in any way from the single panel considering, for both reports, all the arguments put to it by either of the complainants. Further, as the European Communities had ample opportunity to counter the United States' arguments, Australia's general endorsement of the United States' arguments did not increase the "case" the European Communities had to answer or that the Panel had to consider.

6.16 The **European Communities** expresses regret that Australia, in its comments on paragraphs 7.72, 7.74 and 7.75, summarily dismisses arguments made by the European Communities as irrelevant or immaterial.

6.17 The Panel agrees that a complainant can endorse a co-complainant's arguments. However, the Panel does not consider that Australia's comment in its closing statement at the second substantive meeting that "Australia endorses all of the arguments put forward by the United States" was a sufficient basis for the Panel to consider that Australia's arguments as presented earlier were modified, given that there were material differences between those arguments and no information was provided as to how they should be reconciled. Paragraphs 7.71 and 7.72 already explained this point but the Panel has expanded them into paragraphs 7.73 to 7.79 in the final report to illustrate the problem. The Panel has examined the parties' arguments in the course of its objective assessment under Article 11 of the DSU but it does not undertake tasks inconsistent with that function. The Panel has expanded paragraph 7.72, numbered 7.79 in the final report, for the avoidance of doubt.

6.18 The Panel has been mindful of the due process rights of all parties in these proceedings. The European Communities' consent to the establishment of a single panel did not relieve Australia of its burden of making a prima facie case in support of all its claims.

6.19 The Panel takes note of Australia's explanation of the surrounding circumstances. Paragraph 7.74 reflected the oral interventions at the second substantive meeting. If Australia intended to respond to the European Communities' emphasis of differences between the complainants' respective arguments, then the mere assertion that those differences were not material was ineffective, and the endorsement would have transformed differences between the complainants' cases into contradictions within Australia's own case. Australia's interim review comments do not present any circumstances that would justify the Panel taking a different approach but, rather, point out differences between the arguments Australia presented itself and those of the United States. Therefore, the Panel has retained the first and second sentences of paragraph 7.74, numbered 7.81 in the final report, but deleted the following discussion. The Panel has also corrected paragraph 2.15.

The phrase "[w]ithout prejudice to international agreements"

6.20 The **European Communities** requests the deletion of paragraphs 7.132 to 7.137 because it did not argue that the application of Article 12 of the Regulation would prejudice "the EC's obligations under the TRIPS Agreement". It quotes paragraph 66 of its first written submission and paragraph 43 of its first oral statement and asserts that "[t]hese statements do not contain any indication that the EC consider that its obligations under the TRIPS Agreement would be prejudiced by the application of Article 12 of Regulation 2081/92. Rather, the reference to the obligation to provide protection for geographical indications was clearly intended as a reference to the obligation of other WTO Members to provide protection. This is also what the EC explained in response to the Panel's Question No. 94(b)." The European Communities agrees that it is true that it did not provide an explicit response to Panel question No. 20 but it asserts that it did, however, address this point in response to Panel question No. 94, in which it clarified that whereas the application of these conditions would not prejudice the European Communities' national treatment obligations under the TRIPS Agreement, it would prejudice its national treatment obligations under the GATT. Given this context, it comments that the Panel is wrong to read into the European Communities' submission a statement which the European Communities clearly did not make, and which contradicts the entire logic of the European Communities' submissions. In its view, by attempting to read admissions into the European Communities' submissions, the Panel effectively distorts these submissions. This is not compatible with the task of the Panel under Article 11 of the DSU, which is to make an objective assessment of the facts. The European Communities also requests the deletion of paragraph 7.247 for the same reason and because it is unnecessary to the legal analysis which precedes it.

6.21 **Australia** responds that, in its view, the Panel's summation of the arguments put forward by the European Communities is accurate. Australia notes that the statements quoted by the European Communities from its first written submission, first oral statement and response to question No. 94, in fact concern what Australia has referred to in this dispute as "TRIPS-defined GIs" of which the

"EC-defined GIs" covered by the Regulation are generally a subset. However, the dispute has not concerned the European Communities' implementation of its obligations under the TRIPS Agreement and GATT 1994 concerning TRIPS-defined GIs more generally, it has concerned the European Communities' implementation of its obligations in relation to EC-defined GIs. Australia suggests that the relevance of the European Communities' arguments might be better understood if the Panel were to recall the relevance of the distinction between a "TRIPS-defined GI" and an "EC-defined GI". At the same time, however, Australia is of the view that the Panel's analysis of the arguments put forward by the European Communities is entirely correct. Since the allegedly incorrect nature of the statements was the only basis on which the European Communities requested that paragraphs 7.132 to 7.137 be deleted and paragraph 7.247 be amended, Australia suggests that the paragraphs be retained.

6.22 The Panel takes note of the parties' comments and has carefully reviewed the European Communities' submissions, statements and responses to questions in this dispute, and confirms the following facts: (a) the interim report is consistent with the European Communities' own detailed analysis of the phrase "[w]ithout prejudice to international agreements" in its rebuttal submission; and (b) the European Communities repeatedly emphasized the importance of *its own* obligations in the interpretation of the equivalence and reciprocity conditions but there is no clear explanation on the record of this dispute as to how the obligations of *other* WTO Members would render the equivalence and reciprocity conditions under the European Communities' own Regulation inapplicable and the Panel declines to speculate. Therefore, the Panel has expanded and revised, rather than deleted, the relevant paragraphs, numbered 7.139 to 7.145 in the final report, and deleted the other paragraph without affecting the preceding legal analysis.

6.23 The Panel takes note that, although the European Communities has now requested the deletion of most consideration of its own arguments concerning the phrase "[w]ithout prejudice to international agreements", this point is important to its defence and those arguments have not been withdrawn. Therefore, the Panel considers it important to address them as part of its objective assessment of the matter before it, in accordance with its function under Article 11 of the DSU.

#### Specific definitions of "nationals"

6.24 **Australia** comments that, in view of the Panel's ruling that it cannot be considered to have endorsed all of the United States' arguments in its closing statement at the second substantive meeting, Australia has not argued that the European Communities is a separate customs territory Member of the WTO within the meaning of footnote 1 to Article 1.3 of the TRIPS Agreement or that, as a consequence, a special regime to determine nationals applies. Notwithstanding that Australia has pointed to some seeming anomalies in the European Communities' responses to the United States' arguments on the issue in Australia's response to Panel question No. 104, Australia's views on the meaning of the term "national" are as set out in its response to Panel question No. 23 (and referred to in paragraph 7.146). It is not contested by Australia that the determination of which persons are EC nationals is generally a matter for determination by the European Communities under its own law.

6.25 The Panel had observed that Australia's views on the meaning of "national", as reflected in the interim report, include references to persons who are domiciled or who have a real and effective industrial or commercial establishment in a separate customs territory Member of the WTO. Consequently, the Panel considered it necessary to address the applicability of that specific definition. However, in light of Australia's confirmation in its interim review comments that it did not argue that the European Communities is a separate customs territory Member of the WTO, the Panel has revised paragraph 7.194, numbered 7.201 in the final report, and deleted the reasoning regarding that issue.

### Examination of applications for registration

6.26 The **European Communities** requests the amendment of paragraph 7.307(b) to take account of the requirement in Article 12a(2)(a) of the Regulation that a third country must also transmit "a description of the legal provisions and the usage on the basis of which the designation of origin or the geographical indication is protected or established in the country", which is a question of the law of the third country not Community law. It also comments that paragraph 7.307 should explain how the European Communities can implement Article 24.9 of the TRIPS Agreement with respect to such questions of foreign law, taking into account that the complainants have stated that such questions can be of high complexity and have indicated their unwillingness or inability to cooperate on such issues.

6.27 **Australia** believes that the Panel's statement at paragraph 7.307 is accurate. It does not preclude information concerning the domestic law of the country of origin being one of the criteria referred to in Article 12a(2)(a) of the Regulation. Consequently, Australia suggests that there is no need for any change to paragraph 7.317. While the Panel may choose to elaborate its reasoning in respect of the consequences of Article 24.9 of the TRIPS Agreement, Australia does not believe such elaboration is necessary to the resolution of the dispute.

6.28 The Panel takes note of the European Communities' request and notes that the description of protection in the country of origin is already included in paragraph 7.307, numbered 7.303 in the final report, which is the logical place for it. The Panel considers it inappropriate to make further findings in the paragraph. The Panel's findings on transmission of applications already apply to all accompanying documents, including the description of protection in the country of origin. Further, this is an "as such" claim but Article 12a(2)(a) of the Regulation does not specify what form of description of protection in the country of origin would be acceptable, nor is there conclusive evidence on this point. In any event, Article 62 of the TRIPS Agreement would appear to be important in framing any recommendation on implementation, but it lies outside the Panel's terms of reference, as explained in paragraph 7.314 of the final report.

6.29 The Panel has also replaced, where appropriate, the word "verification" in relation to applications for registration later in the report in order to be consistent with the use of the word "examination" used in the description of the application procedures and the consideration of the national treatment claim under the TRIPS Agreement.

### Article 2.1 of the TBT Agreement

6.30 **Australia** requests that the Panel review the reasoning set out in paragraphs 7.475 to 7.484, and elaborate its reasoning for the first sentence of paragraph 7.469 and the last sentence of paragraph 7.471. It comments that the Panel's analysis of the "less favourable treatment" elements of this claim seems premised on a misunderstanding of the basis of Australia's claim, which is the fact that Article 12(2) of the Regulation mandates – in the specified circumstances – a labelling requirement for an imported product bearing a GI that is not similarly mandated for a domestically produced product bearing a GI. Further, that mandated differential treatment results in less favourable treatment for an imported product bearing a GI. Australia comments that, as the Panel noted, the challenge is made to the relevant provision "as such". Thus, the fact that the European Communities may have the discretion to impose the same labelling requirement on a domestically produced product in the specified circumstances does not overcome the inconsistency of the labelling requirement set out in Article 12(2) of the Regulation with the European Communities' national treatment obligation under the TBT Agreement. If the Panel concludes that some revisions are necessary, it requests that the Panel complete its analysis of this claim. On the issue of "like products", it requests the insertion in paragraph 7.471 of an example from its arguments.

6.31 The **European Communities** opposes Australia's request regarding "like products". The example given is one on which no discussion has taken place, and this is an issue on which Australia has made no claims or arguments.

6.32 Regarding marks of origin, the European Communities requests the deletion of point (b) of paragraph 7.469, with which it does not agree. The use of the words "made in" is not a specific requirement for a mark of origin in Article IX:1 of GATT 1994. It comments that it does not understand what is meant by the references in that paragraph to indication "in pictorial matter" nor by indication "alongside the GI" nor how this is relevant. Given the Panel's findings, it considers it unnecessary to reach a conclusion on this issue.

6.33 The Panel notes that the interim report already explains why Australia's argument does not demonstrate any difference in treatment but has made an addition to paragraph 7.469 in the final report. The reasoning in the paragraphs identified by Australia forms the basis for the statements it references in paragraphs 7.465 and 7.467 and the Panel sees no need to elaborate. The Panel has also retained the factual point in the paragraph, numbered 7.461 in the final report, because it is appropriate to explain why the European Communities' defence concerning marks of origin appears to be irrelevant to the preceding legal analysis. However, it has modified the point.

#### Right to prevent the use of translations of registered GIs

6.34 The **European Communities** considers that it would be useful to recall in paragraph 7.530, for the sake of completeness, that under Article 13(1)(b) of the Regulation, GI holders do have a negative right to prevent the use of the registered name or names in translation.

6.35 The Panel has added a footnote to clarify the scope of the positive right to use a GI with respect to translations and has also clarified the importance of the fact that a trademark may continue to be used under Article 14(2) of the Regulation. However, the Panel declines to amend the referenced paragraph as requested because the protection granted by Article 13 of the Regulation is already addressed elsewhere and it has not been shown to what extent Article 13(1)(b) covers translations.

#### Exceptions in trademark legislation with respect to the use of GIs

6.36 The **European Communities** comments that the assertion in paragraph 7.569 to the effect that the its trademark legislation provides no exceptions with respect to the use of geographical indications is factually incorrect, and refers to its response to Panel question No. 153 and, specifically, to Article 6.1(b) of the First Trademark Directive and Article 12(b) of the Community Trademark Regulation. Therefore, even where a trademark owner is allowed under the GI Regulation to enforce his rights under the First Trademark Directive or the Community Trademark Regulation with respect to the confusing use of a registered GI, he cannot prevent such use if it is "in accordance with honest practices in industrial or commercial matters".

6.37 **Australia** notes that the European Communities' comment is premised on the basis that an "indication concerning the ... geographical origin ... of goods" necessarily includes a GI, which is not always the case. In any case, the European Communities' comment intersects with the issue raised by Australia concerning whether a TRIPS-defined GI – and thus an EC-defined GI – can be analogous to "a descriptive term" within the meaning of Article 17 of the TRIPS Agreement.

6.38 The Panel takes note of the European Communities' factual correction and has deleted the paragraph.

### Scope of a limited exception for GIs in translation

6.39 The **European Communities** suggests a redraft of paragraph 7.668 for the following reasons: (a) lest it imply that the European Communities agrees with the last sentence of paragraph 7.666; (b) to include all the relevant limitations to the exception in Article 14(2) of the Regulation relied upon by the Panel including "what is undoubtedly the most crucial one, namely that the trademark owner maintains the right to prevent any confusing uses by all parties except the GI holders"; and (c) because a registration under the Regulation may specify more than one linguistic version of the geographical indication and the last part of the second sentence of paragraph 7.668 may suggest otherwise.

6.40 **Australia** requests that the argument attributed to it in the first sentence of paragraph 7.668 should be referenced or deleted. Should the Panel retain the paragraph, Australia notes that the suggested re-draft by the European Communities eliminates the final point of the second sentence that registration "does not cover the name where rendered differently in another language". In Australia's view, the Panel's finding on this point is an accurate summation of the European Communities' own description of the effect of registration of a term as a GI, and it cites various statements in the European Communities' submissions. Australia suggests that any redraft of the existing second sentence of the paragraph retain the point, given the arguments actually made by the European Communities.

6.41 The Panel has taken careful note of the parties' comments and has amended the paragraph, numbered 7.659 in the final report, to track more closely the wording of the explanations in the European Communities' own submissions, and then made a finding on the basis of the terms of the legislation and those explanations. It has also deleted the reference to Australia, and added references in the succeeding paragraph and elsewhere to the limitation provided by certain directives which the European Communities explained during the proceeding.

### Descriptive terms

6.42 **Australia** requests that the Panel elaborate its reasoning at paragraph 7.689 which assumes that a GI is analogous to a descriptive term within the meaning of the example in Article 17, taking account of the arguments put forward by the parties, including those made by Australia in relation to the design and architecture of the TRIPS Agreement.

6.43 The Panel has revised this and the preceding paragraph for clarity and added a reference to certain directives which the European Communities explained during the proceeding that provide further explanation of the legitimacy of certain interests. However, further elaboration on descriptiveness is unnecessary given that the Panel has expressly recognized that GIs are intellectual property rights, has not found that GIs are purely descriptive terms, and has noted the express requirements in Article 2(2) of the Regulation that GIs registered under the Regulation must describe certain matters.

### Comparison of exceptions provisions

6.44 **Australia** requests that paragraph 7.679 be substantially revised as it is not possible to consider differences in the language of the various provisions in isolation from the nature of the minimum standards for the intellectual property rights concerned.

6.45 The Panel has interpreted Article 17 in light of the minimum standards of which it forms a part, and has noted differences from rights granted by other forms of intellectual property protection where appropriate elsewhere. The Panel considers an observation of how the text differs from analogous texts in the same agreement to be relevant and does not base its reasoning on that

observation alone. The Panel has modified the paragraph, numbered 7.671, in light of the comment received.

#### Articles 10bis and 10ter of the Paris Convention (1967)

6.46 **Australia** comments that the reasoning as currently expressed in paragraphs 7.729 to 7.733 seems to indicate that a responding party's assertion that it does not understand a claim is of itself a sufficient defence to a claim. Australia requests that the Panel review the content of these paragraphs and make appropriate amendments. In Australia's view, the key issue is whether the Panel understood Australia's claim and arguments and, if it did not, the steps it took to undertake an objective assessment. Moreover, it asserts that when the European Communities said it could not understand the claim because it could not see how a situation could arise where there would be an act of unfair competition, that this indicated that the European Communities did understand the claim, but did not agree that a relevant circumstance could arise. This does not affect the relevant obligation under the TRIPS Agreement.

6.47 The Panel takes note of Australia's comments and has expanded and revised the paragraphs, numbered 7.721 to 7.726 in the final report, to remove this impression and to clarify the full extent of the argumentation in support of this claim on which the Panel was called upon to make its assessment.

#### Individual registrations

6.48 **Australia** requests that the Panel elaborate its reasoning in paragraph 7.753. It seeks clarification whether Australia's failure to specify any individual registrations in respect of which it requires relief affected the Panel's conclusion, and whether the Panel exercises judicial economy concerning ongoing registrations.

6.49 The Panel has reworded its existing reasoning in the paragraph numbered 7.750 in the final report. Australia's failure to specify any particular individual registration effected after the date of establishment of the Panel was relevant to the exercise of judicial economy on the preliminary ruling but not the conclusion on the claim, and this has been clarified in paragraph 7.26 for the avoidance of doubt.

#### Conclusions

6.50 **Australia** asks whether the Panel exercises judicial economy on the claims under Article 2(1) of the Paris Convention (1967), as incorporated by Article 2.1 of the TRIPS Agreement.

6.51 The Panel has revised paragraph 7.252 to state its reasons for exercising judicial economy in relation to this provision, and reflected this in its conclusions in paragraph 8.1.

#### Suggestion by the Panel on a way to implement its recommendation

6.52 **Australia** comments that it may assist the resolution of the dispute if the Panel were not to make any recommendation on how the European Communities could bring its measure into conformity. In Australia's view, amending the Regulation to accord with the interpretation that the European Communities submitted to the Panel would not necessarily bring the measure into conformity, even with respect to the reciprocity and equivalence conditions. This is because the European Communities consistently argued that the reciprocity and equivalence conditions of the Regulation were not inconsistent with the European Communities' national treatment obligations under the TRIPS Agreement. In addition, Australia is concerned that a recommendation by the Panel in respect of just one finding could be seen to suggest that the Panel's other findings of inconsistency are of lesser importance.

6.53 The **European Communities** expresses surprise at Australia's suggestion as it would appear that a clarification that the European Communities does not apply conditions of reciprocity and equivalence would remove the concern expressed by Australia regarding the protection of its GIs under the Regulation. As regards Australia's argument that "the EC consistently argued that the reciprocity and equivalence conditions of the Regulation were not inconsistent with the EC's national treatment obligations under the TRIPS Agreement", the European Communities recalls that it conceded that the application of such conditions would be incompatible with the GATT. Furthermore, the European Communities fails to see the relevance of Australia's comment in the context of the discussion of paragraph 8.5, which concerns an issue of implementation. Finally, as regards Australia's concern that certain of the Panel's findings should not be regarded as being of lesser importance than others, the European Communities fails to see why a suggestion made by a Panel in respect of one of its findings would indicate that this finding is more or less important than other findings. For these reasons, the European Communities requests that paragraph 8.5 not be deleted.

6.54 The Panel has modified its suggestion in paragraph 8.5 but, on the basis of the European Communities' remarks on interim review, considers it helpful to retain it. This suggestion does not imply that the Panel's other findings of inconsistency are of lesser importance.

#### Other requests for review

6.55 **Australia** also requested deletion of paragraphs 7.64, 7.65 and 7.357 and footnote 526, and modifications to paragraphs 7.194, 7.214, 7.439, 7.473, 7.515 to 7.523, 7.589, 7.621, 7.700 and 8.2 and footnotes 565 and 591. It also makes some clerical observations. The Panel has modified its report in light of those comments.

6.56 The **European Communities** also requested modification of paragraphs 8.1 and 8.2. The Panel has modified those paragraphs and paragraph 7.758 in light of those comments.

## VII. FINDINGS

### A. PRELIMINARY ISSUES

#### 1. Consistency of panel requests with Article 6.2 of the DSU

7.1 On 24 February 2004, the day after the Panel was composed and prior to the organizational meeting, the European Communities submitted a detailed request that the Panel issue a preliminary ruling that the United States' and Australia's respective requests for establishment of a panel were inconsistent with the requirements of Article 6.2 of the DSU. In accordance with the Panel's timetable, the United States and Australia submitted responses to the European Communities' request for a preliminary ruling.

7.2 On 5 April 2004, the Panel issued the following preliminary ruling.<sup>9</sup>

#### (a) Introduction

1. The European Communities is of the view that the requests for establishment of a panel in this matter do not meet the requirements of Article 6.2 of the DSU. It has requested that the Panel issue a preliminary ruling regarding this question.<sup>10</sup>

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<sup>9</sup> The preliminary ruling is reproduced with minor editorial changes.

<sup>10</sup> (*footnote original*) European Communities' request for a preliminary ruling dated 24 February 2004 ("EC request"), paras. 1, 2, 3 and 5. [Note: that request is attached as Annex B-1 to this final report.]



(...)<sup>11</sup>

3. Australia is of the view that its request for establishment of a panel fully complies with the requirements of Article 6.2 of the DSU. It submits that the substantive basis of the European Communities' request for a preliminary ruling should be denied in full.<sup>12</sup>

4. Article 6.2 of the DSU provides as follows:

"2. The request for the establishment of a panel shall be made in writing. It shall indicate whether consultations were held, identify the specific measures at issue and provide a brief summary of the legal basis of the complaint sufficient to present the problem clearly. In case the applicant requests the establishment of a panel with other than standard terms of reference, the written request shall include the proposed text of special terms of reference."

5. The European Communities alleges that the requests for establishment of a panel are inconsistent with the following requirements in Article 6.2:

- (a) they fail to identify the specific measure at issue; and
- (b) they do not provide a brief summary of the legal basis of the complaint sufficient to present the problem clearly.

6. The Panel will examine each of the requests for establishment of a panel as a whole on its face in the light of the parties' respective communications to the Panel to date and the relevant provisions of the covered agreements to assess its compliance with each of these requirements in the sections below.<sup>13</sup>

(...)<sup>14</sup>

(c) Australia's request for establishment of a panel<sup>15</sup>

(i) *Identification of the specific measure at issue*

23. Australia's request, in its fourth paragraph, identifies the following measures at issue:

"The measure at issue is Council Regulation (EEC) No. 2081/92 of 14 July 1992 *on the protection of geographical indications and designations of origin for agricultural products and foodstuffs*, any amendments thereto (including Council Regulation (EC) No. 692/2003 of 8 April 2003, published in the *Official Journal of the European Union* No. L99 of 17 April 2003), and related implementing and enforcement measures ('the EC measure'). The EC

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<sup>11</sup> Note: paragraph 2 of the preliminary ruling dealt with the United States' request for establishment of a panel.

<sup>12</sup> (*footnote original*) Australia's comments on EC request, dated 15 March 2004 ("Australia's response"), paras. 1 and 48. [Note: those comments are attached as Annex A-1 to this final report.]

<sup>13</sup> (*footnote original*) This is consistent with the approach of the Appellate Body in *US – Carbon Steel*.

<sup>14</sup> Note: paragraphs 7-22 of the preliminary ruling dealt with the United States' request for establishment of a panel.

<sup>15</sup> (*footnote original*) Document WT/DS290/18.

measure lays down and implements rules on the protection of designations of origin and geographical indications for agricultural products and foodstuffs, excluding wines and spirits."

Council Regulation (EEC) No. 2081/92 and any amendments thereto

24. Australia's request identifies a particular regulation by the name of the authority which adopted it, by its number, by its date of adoption and by its full title. It includes amendments of this regulation, including one amendment which is identified by the name of the authority which adopted it, by its number, by its date of adoption, by its full title and by the date and place of its publication. This is a specific measure,<sup>16</sup> and the request has identified it. There is no doubt as to which specific measure is in issue, as the European Communities has itself demonstrated by annexing a consolidated text of the regulation to the request for a preliminary ruling.<sup>17</sup>

25. The European Communities argues that:

"The unspecific reference to Regulation 2081/92 made in the Panel requests does not permit the EC to understand *which specific aspects among those covered by Regulation 2081/92 the complainants intend to raise in the context of the present proceedings.*" (italics added)

26. The Panel considers the ordinary meaning of the terms of the text in Article 6.2 of the DSU, read in their context and in the light of the object and purpose of the provision, to be quite clear. They require that a request for establishment of a panel "identify the specific measures at issue". They do not require the identification of the "specific aspects" of these "specific measures."

"related implementing and enforcement measures"

27. Australia's request identifies, in addition to the regulation and any amendments thereto, "related implementing and enforcement measures". This phrase expressly refers to measures which implement and enforce Regulation (EEC) No. 2081/92, as amended. The word "related" is not used in isolation in the request.

28. The Regulation as amended itself expressly provides for the taking of particular types of decisions and actions and the adoption of rules of procedure for applying the Regulation. For example, Article 6 provides for the Commission to verify that registration applications include all the requisite particulars and, if it concludes that the name qualifies for protection, to publish certain details and, if no objection is notified, the name is entered in a register or, if the Commission concludes that the name does not qualify for protection, to decide not to proceed with the publication. Article 11a provides that the Commission may cancel the registration of a name. Article 12 provides for decisions by the Commission as to whether a

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<sup>16</sup> (footnote original) In this respect, the Panel notes that the Appellate Body in *EC – Bananas III* (at para. 140 of its report) agreed with the Panel in that case that similar language in the following extract from a panel request sufficiently identified the specific measure at issue in accordance with Article 6.2 of the DSU: "a regime for the importation, sale and distribution of bananas established by Regulation 404/93 [...], and subsequent EC legislation, regulations and administrative measures, including those reflecting the provisions of the Framework Agreement on bananas, which implement, supplement and amend that regime".

<sup>17</sup> (footnote original) Exhibit EC-1 annexed to EC request, *supra* at 10. A list containing the names, numbers and dates of the amendments reflected in the consolidated text of the regulation can be found on page 1 of that document.

third country satisfies the equivalence conditions and offers the requisite guarantees. Article 12b provides for the Commission, if it concludes that a name the subject of a registration request sent by a third country satisfies the conditions for protection, to publish certain details or, if it concludes that the name does not satisfy the conditions for protection, to decide not to proceed with publication. Article 16 provides for detailed rules for applying the Regulation to be adopted.<sup>18</sup> Those decisions, actions and rules, among others, implement the Regulation. The European Communities has indicated that the competent judicial and executive authorities enforce the Regulation.<sup>19</sup> In the Panel's view, this does not imply that there is any uncertainty as to which measures taken by those authorities implement and enforce the Regulation and which do not. All of the Regulation's implementing and enforcement measures form a group of specific measures which, although they may be a large group, are identified by Australia's request for establishment of a panel.<sup>20</sup>

29. For these reasons, on the basis of the facts available to us, the Panel rules that Australia's request for establishment of a panel did not fail to identify the specific measures at issue in accordance with Article 6.2 of the DSU.

(ii) *A brief summary of the legal basis of the complaint sufficient to present the problem clearly*

30. Australia's request, in its fifth paragraph, sets out in eight bullet points alleged inconsistencies with the covered agreements, by providing narrative text quoting or paraphrasing treaty text accompanied by provisions of the covered agreements identified by number. The numbered provisions identify every article of every covered agreement at issue and, in most cases where there are paragraphs within an article, such paragraphs are identified.

31. The European Communities takes issue with Australia's reference to whether Regulation No. 2081/92 is a "technical regulation" within the meaning of Annex 1 to the TBT Agreement because the definition does not impose any obligations which could have been violated.<sup>21</sup>

32. The Panel notes that the definition of "technical regulation" *per se* is not an obligation but rather defines a term used in other provisions of the TBT Agreement set out in Australia's request. The reference to the definition actually presents the problem more, rather than less, clearly because it explains why Australia considers that the measures at issue are subject to the relevant obligations.

33. The European Communities also takes issue with the reference to Article 2 of the TRIPS Agreement (incorporating by reference Articles 10, 10*bis* and 10*ter* of the Paris Convention). It argues that Articles 10, 10*bis* and 10*ter* are "complex provisions" divided into various paragraphs, and imposing numerous distinct obligations.

34. Australia replies that, irrespective of the accuracy of the European Communities' portrayal of these provisions, its claim is that the measures at issue diminish the legal protection for trademarks under the TRIPS Agreement, contrary to *all* aspects of these cited provisions.<sup>22</sup>

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<sup>18</sup> (footnote original) Exhibit EC-1.

<sup>19</sup> (footnote original) EC request, *supra* at 10, para. 30.

<sup>20</sup> (footnote original) See *supra* at 16.

<sup>21</sup> (footnote original) EC request, *supra* at 10, para. 63.

<sup>22</sup> (footnote original) Australia's response, *supra* at 12, para. 25.

35. The Panel considers that the mere listing of provisions of the relevant covered agreements may not satisfy the standard of Article 6.2 of the DSU, for instance, where the listed provisions establish multiple obligations rather than one single, distinct obligation.<sup>23</sup> However, where the multiple obligations are closely related and interlinked, a reference to a common obligation in the specific listed provisions may be sufficient to meet the standard of Article 6.2 of the DSU under certain circumstances in a particular case.<sup>24</sup>

36. With these considerations in mind, the Panel now examines the articles to which the European Communities has referred in Australia's request for establishment of a panel. The Panel notes that, on their face, the provisions within each of these articles are interlinked and very closely related, and that the separate paragraphs do not necessarily create distinct obligations. In particular:

- (a) Article 10 of the Paris Convention (1967) extends the application of the provisions of Article 9, which relates to seizure of goods, to false indications of source. The second paragraph of Article 10 sets out a deeming provision for the purposes of the first paragraph;
- (b) Article 10*bis* of the Paris Convention (1967) sets out a single obligation in paragraph (1) regarding unfair competition which is clarified in, and therefore closely related to, paragraphs (2) and (3); and
- (c) Article 10*ter* of the Paris Convention (1967) sets out in paragraph (1) an obligation regarding legal remedies to repress all the acts referred to in Articles 9, 10 and 10*bis*, and in paragraph (2) an obligation regarding action to repress the same acts by particular types of legal person.

37. The European Communities also takes issue with the reference to "Articles 41 and/or 42 of the TRIPS Agreement". It submits that Article 41 is a "complex provision" subdivided into a number of paragraphs, which contain a number of different obligations; that Article 42 comprises several sentences establishing distinct obligations; and that it "does not understand the 'and/or' which seems to indicate that Articles 41 and 42 of the TRIPS Agreement are somehow alternative obligations".<sup>25</sup>

38. Australia replies that its reference to the essential elements of the relevant provisions is sufficient in this dispute to shed light on the nature of the obligations at issue in relation to the specific measures at issue. It also states that, in accordance with common usage, the expression "and/or" applies to all of the provisions cited.<sup>26</sup>

39. The Panel makes the following observations:

- (a) Article 41 of the TRIPS Agreement contains general obligations which relate to acts of infringement of intellectual property rights covered by this Agreement. The accompanying narrative text of Australia's request clarifies that this claim is made because the measure at issue allegedly "diminishes the legal protection for trademarks under the TRIPS Agreement". The general obligations in Article 41 relate to "enforcement procedures as specified in [Part III]". Certain of those enforcement

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<sup>23</sup> (footnote original) See the Appellate Body report on *Korea – Dairy*, para. 124.

<sup>24</sup> (footnote original) See the Appellate Body report on *Thailand – H-Beams*, para. 93.

<sup>25</sup> (footnote original) EC request, *supra* at 10, para. 57.

<sup>26</sup> (footnote original) Australia's response, *supra* at 12, paras. 23 and 24.

procedures, namely under Article 42, are also raised which clarifies that the general obligations are the subject of a claim in relation to these procedures. In particular, Article 42 is entitled "fair and equitable procedures" which is the subject of an obligation in Article 41.2;

- (b) Article 42 of the TRIPS Agreement contains closely related obligations concerning fair and equitable procedures. The accompanying narrative text clarifies that this claim is made in relation to "the legal protection for trademarks under the TRIPS Agreement". The requirements of each sentence in Article 42 are distinct but they all set out specific features of fair and equitable civil judicial procedures concerning the enforcement of intellectual property rights; and
- (c) the use of the term "and/or" at the end of a series or list of items connected by commas is a standard means of indicating that all items in that series or list may apply cumulatively or separately.<sup>27</sup> There is nothing in the context of Australia's request for the establishment of a panel that would indicate that it refers only to the last two items in the series. There is nothing which prevents a complainant making claims in the alternative. This puts the respondent on notice that the complainant effectively makes all these claims.

40. The European Communities further contends that it is entitled to know which provision or aspect of Regulation No. 2081/92 is supposed to violate certain obligations and in which way such a violation is deemed to occur. In the Panel's view, the European Communities is seeking the arguments, rather than just the claims, of Australia.<sup>28</sup> That being said, the Panel wishes to assure the European Communities that it is fully entitled to know the arguments of Australia *during the course of the proceedings*. Those arguments must be set out and may be clarified in Australia's submissions.<sup>29</sup> However, Article 6.2 of the DSU does not require those arguments to be set out in the request for establishment of a panel.<sup>30</sup>

41. The Panel notes that Article 6.2 of the DSU calls for sufficient clarity with respect to the legal basis of the complaint so as to enable a defending party to begin preparing its defence.<sup>31</sup> Our examination of Australia's request for establishment of a panel as a whole, in the light of Australia's and the European Communities' respective communications to the Panel to date and the relevant provisions of the covered agreements, leads us to believe that the request for establishment of a panel was sufficiently clear for the European Communities to begin preparing its defence.

42. For these reasons, on the basis of the facts available to us, the Panel rules that Australia's request for establishment of a panel did not fail to provide a brief summary of the legal basis of the complaint sufficient to present the problem clearly in accordance with Article 6.2 of the DSU.

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<sup>27</sup> (footnote original) *The Oxford English Dictionary* defines "and/or" as "a formula denoting that the items joined by it can be taken either together or as alternatives". (*A Supplement to the Oxford English Dictionary*, R.W. Burchfield (ed.) (Clarendon Press, 1972, reprinted, with corrections, 1980, Vol. I).

<sup>28</sup> (footnote original) See the Appellate Body reports in *EC – Bananas III*, para. 141; *Korea – Dairy*, para. 139; and *US – Carbon Steel*, para. 173.

<sup>29</sup> (footnote original) See *supra* at 24.

<sup>30</sup> (footnote original) See the Appellate Body report on *Korea – Dairy*, para. 123.

<sup>31</sup> (footnote original) See Appellate Body report on *Thailand – H-Beams*, para. 88.

(d) Due process

43. The European Communities is also of the view that the "deficiencies" of the requests for establishment of a panel seriously prejudice its due process rights as a defending party, notably, to know the case it has to answer.<sup>32</sup>

44. The Panel recalls once again that Article 6.2 of the DSU calls for sufficient clarity with respect to the legal basis of the complaint so as to enable a defending party to begin preparing its defence.<sup>33</sup> In this respect, the Panel has found that the complainants' requests for establishment of a panel were sufficiently clear for the European Communities to begin preparing its defence.<sup>34</sup> Therefore, the Panel considers that it is not necessary to make a separate ruling on this issue, as presented by the European Communities in its request.<sup>35</sup>

45. The Panel is mindful of the due process rights of all parties in this proceeding. In this regard, it notes that the European Communities had a period of over four months after the establishment of the Panel prior to its constitution plus a period of over seven weeks prior to receipt of the complainants' first written submissions to begin preparing its case, and will have an additional period of four and a half weeks from receipt of the complainants' first written submissions to continue preparation of its own first written submission, which is in excess of the maximum period proposed in Appendix 3 to the DSU.

(e) Timeliness

46. The European Communities submitted its request for a preliminary ruling two days after the composition of the Panel. It also raised its concerns at the DSB meetings at which the requests for establishment of a panel were considered.<sup>36</sup>

47. The Panel therefore considers that the European Communities has raised its concerns in a timely manner.<sup>37</sup>

(f) Conclusion

48. In light of the foregoing, on the basis of the facts available to us, the Panel rules that the measures and claims in Australia's and the United States' respective requests for establishment of a panel did not fail to meet the requirements of Article 6.2 of the DSU that they identify the specific measures at issue and provide a brief summary of the legal basis of the complaint sufficient to present the problem clearly. [End of 5 April 2004 ruling]

7.3 The Panel stated expressly that its 5 April 2004 preliminary ruling was based on the facts available to it at that time.<sup>38</sup> In this final report, the Panel makes further findings on the sufficiency of

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<sup>32</sup> (footnote original) EC request, *supra* at 10, para. 4.

<sup>33</sup> (footnote original) See *supra* at 31.

<sup>34</sup> (footnote original) See para. 41.

<sup>35</sup> (footnote original) The Panel takes note that the European Communities stated that it does not take a position as to whether "the requirement of prejudice in Article 6.2 DSU" constitutes an additional requirement to those set out in Article 6.2 of the DSU: EC request, *supra* at 10, para. 66, fn. 25.

<sup>36</sup> (footnote original) See the minutes of those meetings in documents WT/DSB/M/155, para. 75 and M/156, para. 32, reproduced in Exhibits EC-2 and EC-3, respectively. The Panel takes note that the European Communities did not clearly raise any problem concerning the alleged failure of Australia's request to identify the specific measures at issue on those occasions.

<sup>37</sup> (corrected footnote original) This does not imply that these issues could not be raised later in the proceedings.

<sup>38</sup> See paras. 6, 29 and 48 of the preliminary ruling set out above.

the panel request, in light of submissions made later during the course of the panel proceeding. These submissions confirm the Panel's ruling as to the meaning of the words used in the panel request and the Panel's assessment that the ability of the respondent to defend itself was not prejudiced.<sup>39</sup>

7.4 First, the Panel recalls that the European Communities argued, in its request for a preliminary ruling, that:

"The unspecific reference to Regulation 2081/92 made in the Panel requests does not permit the EC to understand which specific aspects among those covered by Regulation 2081/92 the complainants intend to raise in the context of the present proceedings."<sup>40</sup>

7.5 The Panel ruled that Article 6.2 did not require the identification of the "specific aspects" of the specific measures at issue.<sup>41</sup> In any event, after consulting the parties' first written submissions, it is clear that the reference to "Regulation No. 2081/92, as amended" in the request for establishment of a panel did identify certain specific aspects among those covered by the Regulation that the complainant later raised, as follows:

- (a) Australia's principal claims concerning national treatment (considered in Section VII:B of this report) are based on the differences between the two sets of registration and objection procedures set out in Regulation (EEC) No. 2081/92 (the "Regulation") in Articles 5 through 7 and 12 through 12d, respectively.<sup>42</sup> This is one of the principal features of the Regulation. It was clear from the request for establishment of a panel that the complainant intended to raise these aspects of the Regulation; and
- (b) Australia's principal claim concerning the legal protection for trademarks (considered in Section VII:D of this report) is based on Article 14 of the Regulation. This provision is specifically devoted to that issue. It was clear from the request for establishment of a panel that the complainant intended to raise this article of the Regulation, as the European Communities itself confirmed in its request for a preliminary ruling.<sup>43</sup>

7.6 Second, the Panel recalls that the European Communities submitted in its February 2004 request for a preliminary ruling that:

"In the present case, the ambiguity of the Panel request is such that the EC is, to this date, not sure of the case which the United States and Australia are bringing before

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<sup>39</sup> This is consistent with the approach of the Appellate Body in *US – Carbon Steel*, para. 127.

<sup>40</sup> Quoted at para. 25 of the preliminary ruling set out above.

<sup>41</sup> See para. 11 of the preliminary ruling set out above.

<sup>42</sup> To the extent that the claims concern the actions of EC member State authorities in the verification and transmission of applications and objections, the European Communities expressly referred to these actions in its request for a preliminary ruling, *supra* at 10, para. 31. It also informed the Panel during this proceeding that Community laws are generally not executed through authorities at Community level but rather through recourse to the authorities of its member States: see para. 7.148 below.

<sup>43</sup> The claim concerned coexistence under Article 14(2), subject to Article 14(3). The European Communities expressly referred to both, as well as Article 7(4), to which it referred in its defence, in its request for a preliminary ruling, *supra* at 10, paras. 47 and 61. The only aspect of the Regulation which it raised in this respect in its request for a preliminary ruling, that it did not later raise in its defence, was Article 14(1): see Section VII:D of this report.

the Panel. As a consequence, the EC has been seriously hampered in its efforts to prepare its defence."<sup>44</sup>

7.7 Specifically, with respect to the national treatment claims, it submitted as follows:

"[T]he US claim is limited to a paraphrasing of the treaty language of [Article 3 TRIPS and Article III:4 GATT]. The US claim does not permit to understand which provision or aspect of Regulation 2081/92 is supposed to violate the national treatment principle, and in which way such a violation is deemed to occur"; and

"Like the US claims, Australia's claims [regarding *inter alia* national treatment under Article 3.1 TRIPS and Article III:4 GATT] are limited to the restatement of language already contained in treaty provisions, and therefore encounter the same objections."<sup>45</sup>

7.8 The Panel's assessment was that the request for establishment of a panel was sufficiently clear for the European Communities to begin preparing its defence.<sup>46</sup> After consulting the European Communities' first written submission, and information submitted by Australia, the Panel is now aware that prior to the date of the request for establishment of a panel, the European Communities had already presented in the Council for TRIPS in September 2002 a statement that responded specifically to the argument that national treatment under the TRIPS Agreement applied to geographical indications. In that statement, the European Communities quoted the texts of Article 3 of the TRIPS Agreement and Article III:4 of GATT 1994 and argued that "[t]hose entitled to rights under TRIPS are nationals". This is also an important defence set out in the European Communities' first written submission, in which it is argued that "[t]he conditions for the registration of geographical indications do not depend on nationality".<sup>47</sup> This supports the Panel's assessment that the relevant wording of the request for establishment of a panel was sufficiently clear for the European Communities to begin preparing its defence of the first national treatment claim.<sup>48</sup>

7.9 Third, the Panel notes that, in any event, Australia's other claims (considered in Section VII:E of this report), brought under the provisions discussed in paragraphs 36 and 39 of the preliminary ruling, were not pursued in such detail. The Panel has found no *prima facie* case or rejected all these claims. This confirms the Panel's assessment that no prejudice has been caused to the rights of the respondent by these claims.

## 2. Measures no longer in force at the date of establishment of the Panel

(a) Main arguments of the parties

7.10 **Australia** challenges Council Regulation (EEC) No. 2081/92<sup>49</sup>, including not only the current version of that Regulation as in force as at the date of establishment of the Panel<sup>50</sup> but also two prior versions of the Regulation as originally adopted in 1992 and as amended in 1997.<sup>51</sup> Australia's claims refer variously to the current version and these two prior versions of the Regulation.

7.11 The **European Communities** responds that Australia's request for establishment of a panel does not make it clear that Australia intends to challenge several versions of the same measure

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<sup>44</sup> European Communities' request, *supra* at 10, para. 68.

<sup>45</sup> *Ibid.*, paras. 44 and 61.

<sup>46</sup> See para. 41 of the preliminary ruling set out above.

<sup>47</sup> European Communities' first written submission, paras. 114 and 123-126.

<sup>48</sup> See also para. 6.5 above.

<sup>49</sup> Australia's first written submission, para. 20.

<sup>50</sup> Amendment effected by Council Regulation (EC) No. 692/2003, set out in Exhibit COMP-1h.

<sup>51</sup> Australia's first written submission, para. 18, defines "Regulation No. 2081/92" "#1", "#2" and "#3".



resulting from subsequent amendments made over time. It also submits that the measure at issue is the Regulation as in force at the time the Panel was established and that an analysis of historical versions is not useful for the purposes of settling the present dispute.<sup>52</sup>

(b) Consideration by the Panel

7.12 The Panel notes that Australia's request for establishment of a panel specifies the Regulation as well as "any amendments thereto, (including Council Regulation (EC) No. 692/2003 ...)". Whilst this wording can be read to encompass the original version of the Regulation, and a subsequent amended version, which are no longer in force, it is unnecessary to rule on whether those measures are within the Panel's terms of reference, for the reasons given below.

7.13 In its submissions, Australia seeks relief in respect of these prior versions of the Regulation. For example, it claims that registration procedures under versions of Articles 7(4) and 14(1) of the Regulation, which were deleted and replaced in April 2003, were inconsistent with the TRIPS Agreement.<sup>53</sup> Australia expressly seeks "rulings and recommendations" from the Panel in respect of prior versions of the Regulation to the degree necessary to establish the extent to which individual registrations were inconsistent with the covered agreements, and therefore the extent to which those registrations continued the alleged violations. It cites Articles 3.7, 11, 12.7 and 19.1 of the DSU in support of its request.<sup>54</sup>

7.14 The Panel notes the distinction between provisions of the Regulation which established procedures, but are no longer in force, and individual registrations effected under them. With respect to the former, the Panel recalls that its mandate to make recommendations in this dispute is found in Article 19.1 of the DSU, which foresees only one type of recommendation, namely, that a Member bring a measure into conformity with a covered agreement. It is obvious that versions of the Regulation cannot be brought into conformity if they have already ceased to exist.<sup>55</sup> Therefore, the Panel will not make any recommendation with respect to prior versions of the Regulation that are no longer in force.

7.15 However, individual GI registrations effected under prior versions of the Regulation remain in force. There is, in principle, no reason why it should not be possible to challenge them under the TRIPS Agreement. They are measures which may affect the operation of that agreement. Australia's request for establishment of a panel specifically identified "[the Regulation and any amendments thereto] and related implementing ... measures" as part of the measure at issue. Registrations under Articles 6 and 12b of the Regulation, and under the former Article 17, constitute such implementing measures. Therefore, they are within the Panel's terms of reference.<sup>56</sup> Given that they remain in force, the Panel can make a recommendation that the respondent Member bring them into conformity with a covered agreement. Therefore, the Panel may examine these individual registrations as part of the matter before it.

7.16 The Panel wishes to note that, in certain respects, Australia's description of provisions of prior versions of the Regulation assists it in understanding provisions of the current version of the Regulation. For example, the description of Articles 12 and following of the Regulation prior to its amendment in April 2003 assists the Panel in understanding the European Commission's

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<sup>52</sup> European Communities' first written submission, paras. 13-20. The European Communities addressed the individual registrations on the basis of the preliminary ruling by the Panel but reserved its right to raise this issue in the context of a possible appeal: see its second oral statement, para. 105 and fn. 80.

<sup>53</sup> Australia's first written submission, paras. 89 and 86, respectively.

<sup>54</sup> Australia's first oral statement, paras. 13-14 and its response to Panel question No. 88.

<sup>55</sup> This was also the approach of the Appellate Body in *US – Certain EC Products*, at para. 81.

<sup>56</sup> This is subject to comments in para. 7.26 concerning individual registrations adopted after the date of establishment of the Panel. See also the Panel's conclusion at para. 7.751 below.

contemporaneous explanations of the Regulation, as discussed in Section VII:B of this report.<sup>57</sup> Moreover, a description of the Regulation as it stood prior to 1 January 1995 would be essential in applying Article 24.3 of the TRIPS Agreement, which refers to a state of affairs "immediately prior to the date of entry into force of the WTO Agreement", according to the European Communities' interpretation of that provision, as discussed in Section VII:D of this report.<sup>58</sup> Further, a description of the simplified registration procedure under the former Article 17 of the Regulation, which has been repealed, demonstrates that there is no evidence that individual registrations effected under that procedure involved a denial of national treatment to persons who wished to object, as discussed in Section VII:E of this report.<sup>59</sup>

7.17 Therefore, in the course of its assessment of the matter before it, the Panel will make findings with respect to prior versions of the Regulation where they serve some useful purpose in reaching conclusions with respect to measures within its terms of reference, including individual registrations, that are currently in force. References in this report to the "Regulation" refer to the current version, unless the context indicates otherwise.

### 3. Measures adopted after the date of establishment of the Panel

#### (a) Main arguments of the parties

7.18 **Australia** and the **United States** submitted, as an exhibit, a copy of Commission Regulation (EC) No. 2400/96<sup>60</sup>, which is effectively the register under Article 6 of Council Regulation (EEC) No. 2081/92. Individual designations of origin and geographical indications are added to the register by amending the Commission Regulation. The exhibit includes amendments made up until the time of the first written submissions in this proceeding, nine of which were adopted after the date of establishment of the Panel. Those nine amendments effected the registrations of 15 individual designations of origin and geographical indications.<sup>61</sup>

7.19 Australia and the United States also submitted, as an exhibit, an unofficial consolidated version of Council Regulation (EEC) No. 2081/92, which included amendments published in the Official Journal of the European Communities up until the date of establishment of the Panel.<sup>62</sup> The latest of these amendments is the Act of Accession of ten new EC member States. They also submitted, as an exhibit, an extract from that Act of Accession which provides for the registration of three Czech beer GIs under Article 17 of the Regulation.<sup>63</sup>

7.20 **Australia** challenges individual registrations effected under the Regulation and notes that registrations are "ongoing".<sup>64</sup>

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<sup>57</sup> Exhibit AUS-4 and documents IP/Q2/EEC/1 and IP/C/M/37/Add.1, para. 142 and Annex.

<sup>58</sup> See para. 7.628.

<sup>59</sup> See paras. 7.746 and 7.747.

<sup>60</sup> Exhibit COMP-4.

<sup>61</sup> Exhibit COMP-4b.viii to xvi. The 15 GIs are "Westlandse druif"; "Alcachofa de Benicarló" or "Carxofa de Benicarló"; "Marrone di San Zeno"; "Mantequilla de l'Alt Urgell y la Cerdanya" or "Mantega de l'Alt Urgell i la Cerdanya"; "Thüringer Leberwurst", "Thüringer Rotwurst", "Thüringer Rostbratwurst"; "Spessa delle Giudicarie"; "Fraise du Périgord"; "Queso de Valdeón"; "Ensaïmada de Mallorca" or "Ensaïmada mallorquina"; "Arbroath Smokies"; "Carciofo di Paestum"; "Farina di Neccio della Garfagnana"; "Agneau de Pauillac" and "Agneau du Poitou-Charentes".

<sup>62</sup> Exhibit COMP-1a.

<sup>63</sup> Exhibit COMP-3c. The Czech beer GIs are "Budejovické pivo", "Ceskobudejovické pivo" and "Budejovický mešt'anský var".

<sup>64</sup> Australia's first written submission, paras. 20 and 33.

7.21 The **European Communities** responds that these measures did not yet exist at the time the Panel was established and are therefore outside the terms of reference. In particular, it submits that the Act of Accession was subject to ratification, which was not completed on the date of establishment of the Panel, and did not enter into force until 1 May 2004.<sup>65</sup>

(b) Main arguments of third parties

7.22 **China** argues that the wording of the request for establishment of a panel specified amendments to the Regulation and that, therefore, they are properly included in the Panel's terms of reference. The respondent received notice of the inclusion of amendments and had enough opportunity to respond to the complainant's case. It is irrelevant whether the amendments came into effect before or after the Panel was established.<sup>66</sup>

(c) Consideration by the Panel

7.23 The Panel begins by noting that Council Regulation (EEC) No. 2081/92 (referred to in this report as the "Regulation") has not been amended in any relevant respects during this panel proceeding. It was last amended in April 2003, prior to the date of the request for establishment of a panel.

7.24 The Panel's terms of reference include not only the Regulation, but also its "related implementing and enforcement measures". The Panel considers that this phrase in the request for establishment of a panel is broad enough to include individual registrations, for the reasons given in paragraph 28 of its preliminary ruling of 5 April 2004, and in paragraph 7.15 above. The individual GIs which are entered in the Register under Articles 6 and 17 of the Regulation are set out in Commission Regulations (EC) No. 2400/96 and No. 1107/96.<sup>67</sup> New registrations take the form of amendments to these Commission Regulations. Certain individual registrations were effected after the date of establishment of the Panel and prior to the date of the complainants' first written submissions<sup>68</sup>, and registrations continue to be made after that date.

7.25 Australia's challenge of the individual registrations includes those effected after the date of establishment of the Panel. Each of the individual registrations applies to a different GI, is used by different producers and/or processors and may, in turn, affect rights in different trademarks. They are distinct measures. Those effected after the date of establishment of the Panel have added to the implementing measures as they stood at that date, although they have not affected the essence of the implementing measures vis-à-vis other registrations as they stood at that date.<sup>69</sup>

7.26 However, Australia has not sought particular relief in respect of individual registrations effected after the date of establishment of the Panel<sup>70</sup>, as opposed to those effected earlier, and the Panel has found no prima facie case in support of the claims in respect of individual registrations effected at any time.<sup>71</sup> Therefore, the Panel does not consider it necessary to rule on whether the individual registrations effected after the date of establishment of the Panel fall within the terms of reference in order to secure a positive solution to this dispute.

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<sup>65</sup> European Communities' first written submission, paras. 21-25.

<sup>66</sup> Annex C, para. 96.

<sup>67</sup> Set out in Exhibits COMP-4a and 3a, respectively.

<sup>68</sup> See *supra* at 61 and 63.

<sup>69</sup> This is consistent with the approach of the Appellate Body in *Brazil – Aircraft*, para. 132 and *Chile – Price Band System* at paras. 135-144.

<sup>70</sup> Australia's responses to Panel questions Nos. 91 and 93.

<sup>71</sup> See para. 7.751 below.

7.27 The Panel wishes to note that individual registrations effected after the date of the request for establishment of a panel can be among the best evidence of the way in which certain provisions of the Regulation itself, which are at issue, are interpreted and applied.<sup>72</sup> The Panel therefore refers to them, as factual evidence, in the course of its assessment of the matter before it.<sup>73</sup> References in this report to the "Regulation" refer to the basic Regulation rather than related and implementing measures, unless the context indicates otherwise.

#### **4. Claims under Article 2(2) of the Paris Convention (1967), as incorporated by Article 2.1 of the TRIPS Agreement**

##### (a) Main arguments of the parties

7.28 **Australia** claims that the Regulation imposes on other WTO Member nationals a requirement as to domicile or establishment in the European Communities for the enjoyment of rights contrary to Article 2(1) and 2(2) of the Paris Convention (1967) as incorporated by Article 2.1 of the TRIPS Agreement.<sup>74</sup> In its view, Article 2(2) is an integral aspect of the national treatment obligation under Article 2(1).<sup>75</sup>

7.29 The **European Communities** responds that these claims are outside the Panel's terms of reference because they relate to Article 2(2) of the Paris Convention (1967) which was not explicitly mentioned in the request for establishment of a panel. Article 2(2) prohibits the imposition of requirements as to domicile or establishment and is therefore different from, and additional to, the obligations resulting from the national treatment provision of Article 2(1).<sup>76</sup>

##### (b) Consideration by the Panel

7.30 The Panel notes that Australia's request for establishment of a panel adapts the text of the national treatment obligations in Article 3.1 of the TRIPS Agreement and Article III:4 of GATT 1994. Australia's request then cites by number both those articles as well as Article 2 of the TRIPS Agreement "incorporating by reference Article 2 of the Paris Convention (1967)".

7.31 In its submissions to the Panel, Australia claims that certain aspects of the Regulation are inconsistent with both Article 2(1) and 2(2) of the Paris Convention (1967) as incorporated by Article 2.1 of the TRIPS Agreement. The issue for the Panel is whether the reference to national treatment and to Article 2 of the Paris Convention (1967) is sufficient to present the legal basis of the complaint under Article 2(1) and 2(2), or only Article 2(1).

7.32 The Panel considers that the mere listing of provisions of the relevant covered agreements may not satisfy the standard of Article 6.2 of the DSU, for instance, where the listed provisions establish multiple obligations rather than one single, distinct obligation.<sup>77</sup> However, where the multiple obligations are closely related and interlinked, a reference to a common obligation in the

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<sup>72</sup> In fact, the European Communities itself has included one of these GIs in its exhibits: the 2002 publication of the application to register "Thüringer Leberwurst" is Exhibit EC-54.

<sup>73</sup> The Panel refers to the registration of the Czech beer GIs submitted in an exhibit by the complainants (see para. 7.18 above) as evidence of the operation of Article 14(3) of the Regulation in paras. 7.574 and 7.669.

<sup>74</sup> Australia's first written submission, paras. 189 and 194.

<sup>75</sup> Australia's first oral statement, para. 16.

<sup>76</sup> European Communities' first written submission, paras. 36-42; second oral statement, paras. 112-117.

<sup>77</sup> See the Appellate Body report on *Korea – Dairy*, para. 124.

specific listed provisions should be sufficient to meet the standard of Article 6.2 of the DSU under certain circumstances in a particular case.<sup>78</sup>

7.33 Paragraph 1 of Article 2 of the Paris Convention (1967) expresses a national treatment obligation. Paragraph 2 prohibits local domicile or establishment requirements as a condition for the enjoyment of any industrial property rights. The texts of paragraphs 1 and 2 are linked by the use of the conjunction "[h]owever" which indicates that paragraph 2 restricts the rule of paragraph 1. Paragraph 2 in effect provides that certain conditions may not be imposed on foreign nationals, even if they are imposed on a country's own nationals.<sup>79</sup> Paragraph 3 also reserves or excepts certain conditions from the national treatment obligation, but by stating certain conditions which may be imposed on foreign nationals, even if they are not imposed on a country's own nationals. Read in context, all three paragraphs either establish a single obligation or are very closely related: paragraph 1 sets out an obligation to provide national treatment and paragraphs 2 and 3 limit that obligation.

7.34 Therefore, in the Panel's view, the references in the request for establishment of a panel to national treatment and to Article 2 of the Paris Convention (1967), which does not specify particular paragraphs, as incorporated by Article 2.1 of the TRIPS Agreement, is sufficient to explain the legal basis of the complaints under both paragraphs 1 and 2 of Article 2. Accordingly, the Panel rules that the claims under Article 2(2) of the Paris Convention (1967), as incorporated by Article 2.1 of the TRIPS Agreement, are within the Panel's terms of reference.

## **5. Claim under Article 4 of the Paris Convention (1967), as incorporated by Article 2.1 of the TRIPS Agreement and, consequently, under Article 24.5 of the TRIPS Agreement**

### **(a) Main arguments of the parties**

7.35 **Australia** claims that Article 14(1) of the Regulation does not afford the right of priority in respect of trademark applications required to be granted by Article 4 of the Paris Convention (1967), contrary to Article 24.5 of the TRIPS Agreement.<sup>80</sup> In its view, the reference to Article 24.5 of the TRIPS Agreement in its request for establishment of a panel permits the Panel to examine the consistency of the Regulation with Article 4 of the Paris Convention (1967) and, indeed, that examination is necessary for such a determination.<sup>81</sup> It argues that the obligation not to prejudice eligibility for the registration of a trademark is plain on a reading of Article 24.5 and, given the express obligation on the European Communities to comply with Article 4 of the Paris Convention (1967), it was clear that non-compliance with that provision would constitute prejudice to the eligibility for registration of a trademark. Article 6.2 of the DSU should not be interpreted and applied in such a way as to require that a complaining party must have fully developed its argumentation for a dispute before presenting its request for establishment of a panel.<sup>82</sup>

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<sup>78</sup> See the Appellate Body report on *Thailand – H-Beams*, para. 93.

<sup>79</sup> A leading commentator explains the addition of the word "however" as follows: "Even when the conditions imposed upon nationals of a country include the stipulation that *those nationals* can claim protection of certain industrial property rights only if they are domiciled or established in the country, this same stipulation cannot be imposed upon *nationals of other countries* of the Union." in Bodenhausen, Professor G.H.C., *Guide to the Application of the Paris Convention for the Protection of Industrial Property*, United International Bureaux for the Protection of Intellectual Property (BIRPI) (1969) (reprinted 1991) ("Bodenhausen"), p. 31. [Emphasis in the original]

<sup>80</sup> Australia's first written submission, paras. 81-87.

<sup>81</sup> Australia's first oral statement, para. 15.

<sup>82</sup> Australia's response to Panel question No. 162; rebuttal submission, para. 25.

7.36 The **European Communities** responds that this claim is outside the Panel's terms of reference because Australia's request for establishment of a panel did not refer to Article 4 of the Paris Convention (1967).<sup>83</sup>

(b) Consideration by the Panel

7.37 The Panel recalls that Australia's request for establishment of a panel includes the following passage:

"Australia is of the view that the EC measure:

- diminishes the legal protection for trademarks under the TRIPS Agreement, contrary to Articles 1, 2 (incorporating by reference Articles 6*quinques*(B), 10, 10*bis* and 10*ter* of the Paris Convention (1967)), 16, 20, 24.5, 41 and/or 42 of the TRIPS Agreement;"

7.38 It is not disputed that the Panel's terms of reference include the general issue whether the Regulation diminishes protection for trademarks contrary to Article 16.1 of the TRIPS Agreement, since that is expressly set out in Australia's request for establishment of a panel. The parties' evidence and arguments address in detail the extent to which Article 24.5 prohibits Members from diminishing the protection of trademarks in the course of protecting geographical indications, and the Panel makes detailed findings on this issue in this report. The reference to Article 24.5 in Australia's request for establishment of a panel appears to relate to this issue.

7.39 It is not disputed that Article 24.5 refers to three aspects of the protection of trademarks, one of which is the eligibility of a trademark for registration. This concerns trademark applications. However, in the Panel's view, the reference to protection of trademarks and Article 24.5 does not necessarily concern each and every possible aspect of trademark application procedures. Article 15 of the TRIPS Agreement and numerous distinct obligations under the Paris Convention (1967), including Articles 4, 6, 6*bis*, 6*quinques* and 7 relate to trademark applications and procedures. If a mere allegation of diminished protection of trademarks contrary to Article 24.5 of the TRIPS Agreement could include the specific obligation to accord priority filing dates for trademark applications, it could conceivably relate to all of these other distinct obligations as well.

7.40 The Panel recalls that Article 6.2 of the DSU requires that a request for establishment of a panel shall "provide a brief summary of the legal basis of the complaint sufficient to present the problem clearly". This calls for sufficient clarity with respect to the legal basis of the complaint so as to enable a defending party to begin preparing its defence.<sup>84</sup> Australia's request for establishment of a panel makes no mention of the right of priority, or Article 4 of the Paris Convention (1967) as incorporated by Article 2.1 of the TRIPS Agreement, or their relationship with prejudice to trademark applications under Article 24.5 of the TRIPS Agreement. In that request, the obligation under Article 4 of the Paris Convention (1967) is not "express" or implied. There was simply no way for the European Communities to know that the right of priority under Article 4 of the Paris Convention (1967) was at issue.

7.41 In its first written submission, Australia described why, in its view, Article 14(1) of the Regulation covered a situation within the meaning of Article 24.5. In order to explain the alleged

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<sup>83</sup> European Communities' first written submission, paras. 28-30; first oral statement, para. 6. The European Communities also submits that Australia has not clarified this claim, despite a request to do so, and that Australia has not identified a single application for a trademark that falls within the situation that Australia alleges in this claim: see European Communities' rebuttal submission, paras. 356-357.

<sup>84</sup> See the Appellate Body report on *Thailand – H-Beams*, para. 88.

inconsistency, it addressed Article 4 of the Paris Convention (1967), "and in particular paragraph B of that provision, incorporated by TRIPS Article 2.1" and concluded as follows:

"Article 14.1 of Regulation No. 2081/93#3 does not afford the right of priority in respect of an application for registration of a trademark previously filed in another WTO Member required to be granted by Paris Article 4 where that trademark is identical with or similar to an EC-defined GI which is later registered. By not doing so, Article 14.1 of Regulation No. 2081/93#3 continues to prejudice, or adversely affect, the eligibility for registration of a trademark for which an application has been made in good faith, contrary to TRIPS Article 24.5."

7.42 Australia was not required to disclose its arguments until its first written submission, but its assertion of an inconsistency with Article 4 of the Paris Convention (1967), as incorporated by Article 2.1 of the TRIPS Agreement and, consequently, Article 24.5 of the TRIPS Agreement, amounts to a claim under Article 4, which should have been disclosed in the request for establishment of a panel. The inclusion of this claim for the first time in the first written submission took the European Communities by surprise and deprived it of the right to begin preparing its defence to this claim earlier.

7.43 Therefore, in this respect, the request for establishment of a panel does not satisfy the requirement of Article 6.2 to "provide a brief summary of the legal basis of the complaint sufficient to present the problem clearly". Accordingly, this claim is outside the Panel's terms of reference.

## **6. Claim under Article 41 in conjunction with Articles 43, 44, 45, 46, 48 and 49 of the TRIPS Agreement**

### **(a) Main arguments of the parties**

7.44 **Australia** argues in its first written submission that the European Communities has not ensured that enforcement procedures as specified in Part III of the TRIPS Agreement are available under its law, contrary to Article 41.1 of the TRIPS Agreement, as a consequence of *inter alia* the fact that the Regulation does not grant the Consultative Committee the authority required by Articles 43, 44, 45, 46 and 48 of the TRIPS Agreement, and does not provide judicial authorities with the authority required by Articles 43, 44, 45, 46, 48 and 49.<sup>85</sup> Australia submits that the reference to Article 41 of the TRIPS Agreement in its request for establishment of a panel permits the Panel to examine the consistency of the Regulation with Articles 43 to 49 respectively and, indeed, that such an examination is necessary for such a determination.<sup>86</sup>

7.45 The **European Communities** responds that this amounts to a claim under Articles 43 to 49 of the TRIPS Agreement not mentioned in the request for establishment of a panel and is therefore outside the Panel's terms of reference. The reference to Article 41 in the request for establishment of a panel is not sufficient to specify Articles 43 to 49 and, more specifically, Article 41.1 is a purely introductory provision which does not create separate legal obligations.<sup>87</sup>

### **(b) Consideration by the Panel**

7.46 The Panel recalls that Article 6.2 of the DSU requires that a request for establishment of a panel shall "provide a brief summary of the legal basis of the complaint sufficient to present the

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<sup>85</sup> Australia's first written submission, para. 148.

<sup>86</sup> Australia's first oral statement, para. 15.

<sup>87</sup> European Communities' first written submission, paras. 31-35.

problem clearly". This calls for sufficient clarity with respect to the legal basis of the complaint so as to enable a defending party to begin preparing its defence.<sup>88</sup>

7.47 The Panel recalls that in its preliminary ruling dated 5 April 2004, reproduced above, it considered the relationship between Article 41, which is specifically identified in the request for establishment of a panel, and the enforcement procedures in Part III of the TRIPS Agreement, in particular, in Article 42, which is also specifically identified in that request. The Panel did not rule that Article 41 was clearly within the terms of reference in all respects. After consulting the parties' first written submissions, it is clear that the relevant references in the request for establishment of a panel did not identify all the claims that Australia subsequently raised. Australia's request for establishment of a panel does not refer to Articles 43, 44, 45, 46, 48 or 49 or the other provisions of Part III. The textual link in the TRIPS Agreement between Article 41 and the other articles of Part III is found in paragraph 1 of Article 41, which provides that "Members shall ensure that enforcement procedures as specified in this Part are available under their law ...". Australia's request for establishment of a panel does not indicate which of these other enforcement procedures are at issue, does not cite this text, nor does it refer specifically to paragraph 1 of Article 41.

7.48 The Panel considers that Article 41.1 imposes an obligation. The language of that provision is expressed in terms of what Members "shall" ensure and is not hortatory. The substance of the provision adds qualitative elements to the procedures specified in Part III through use of terms such as "effective", "expeditious" and "deterrent" and is not redundant. However, it was not possible for the European Communities to know from the request for establishment of a panel that the claim under Article 41 put in issue the procedures required under any of Articles 43 through 49. The inclusion of a claim in Australia's first written submission under Article 41 of the TRIPS Agreement in conjunction with Articles 43, 44, 45, 46, 48 and 49 took the European Communities by surprise and deprived it of the right to begin preparing its defence of this claim earlier.

7.49 Therefore, in this respect, the request for establishment of a panel does not satisfy the requirement of Article 6.2 to "provide a brief summary of the legal basis of the complaint sufficient to present the problem clearly". Accordingly, the claim under Article 41 of the TRIPS Agreement in conjunction with Articles 43, 44, 45, 46, 48 and 49 is outside the Panel's terms of reference.

7.50 In any event, the Panel rejects all of Australia's claims under Articles 41 and 42 of the TRIPS Agreement, for the reason given in paragraph 7.731 of this report, which applies with equal force to all grounds on which these claims were purportedly made.

## 7. Claim under Article 20 of the TRIPS Agreement

7.51 **Australia** includes in its request for establishment of a panel a claim that the Regulation diminishes the legal protection of trademarks contrary to Article 20 of the TRIPS Agreement. It presents arguments in support of that claim in its first written submission.<sup>89</sup>

7.52 The **European Communities** responds that the Regulation is not inconsistent with Article 20 of the TRIPS Agreement.<sup>90</sup>

7.53 In its second oral statement, Australia withdrew its claim under Article 20 of the TRIPS Agreement.<sup>91</sup> Therefore, the Panel does not consider this claim any further.

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<sup>88</sup> See the Appellate Body report on *Thailand – H-Beams*, para. 88.

<sup>89</sup> Australia's first written submission, paras. 108-112.

<sup>90</sup> European Communities' first written submission, paras. 345-351.

<sup>91</sup> Australia's second oral statement, para. 99.



## **8. Claims under Article 4 of the TRIPS Agreement, Article I:1 of GATT 1994 and Article 2.1 of the TBT Agreement**

7.54 **Australia** includes in its request for establishment of a panel claims that the Regulation is inconsistent with the MFN treatment obligations in Article 4 of the TRIPS Agreement, Article I:1 of GATT 1994 and Article 2.1 of the TBT Agreement.

7.55 In its first written submission, Australia "reserves the right" to pursue these claims in the event that the European Communities is applying protection under the Regulation to GIs from another WTO Member or begins to do so.<sup>92</sup> Australia did not pursue these claims. Therefore, the Panel does not consider them any further.

## **9. Claim under Articles 1, 63.1 and 63.3 of the TRIPS Agreement**

7.56 **Australia** includes in its request for establishment of a panel a claim that the Regulation is not applied in a transparent manner contrary to Articles 1, 63.1 and 63.3 of the TRIPS Agreement.

7.57 In its first written submission, Australia "reserves the right" to pursue the claim under Articles 63.1 and 63.3 in the event that the European Communities should in fact have in place criteria and/or guidelines for the purposes of making assessments and/or determinations under "various provisions" of the Regulation.<sup>93</sup> Australia did not pursue the claim regarding transparency under Articles 1, 63.1 or 63.3 of the TRIPS Agreement. Therefore, the Panel does not consider it any further.

## **10. Claim regarding application procedures under the TRIPS Agreement**

7.58 The **European Communities** submits that Australia has not made a claim concerning the application procedures under the TRIPS Agreement but only under GATT 1994.<sup>94</sup> It does not indicate the reasons for its view.

7.59 **Australia** replies that it makes its claim in relation to the application procedures under the TRIPS Agreement as well and refers to passages in its first written submission.<sup>95</sup>

7.60 The Panel has reviewed the passages in Australia's first written submission, to which it refers. They appear under a heading which refers expressly to "national treatment" and specific national treatment provisions of the TRIPS Agreement. They include the following statements:

"198. However, non-EC nationals seeking to register, and thus protect, an EC-defined GI in respect of a geographical location in the territory of another WTO Member pursuant to Regulation No. 2081/92 are not able to apply directly to the EC (whether to the Commission or another Community level body) to register an EC-defined GI.

(...)

"205. Moreover, notwithstanding any outward appearance of symmetry of treatment, the EC measure accords non-EC nationals less favourable treatment than that accorded to EC nationals in respect of the registration of an EC-defined GI from

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<sup>92</sup> Australia's first written submission, para. 65; noted by the European Communities in its first written submission, para. 227, fn. 108 and para. 239, fn. 112.

<sup>93</sup> Australia's first written submission, para. 66.

<sup>94</sup> European Communities' first written submission, para. 127; and its rebuttal submission, para. 122.

<sup>95</sup> Australia's first oral statement, para. 34, citing its first written submission, paras. 198-199 and 205.

another WTO Member and in respect of the enforcement of trademark rights concerning the proposed registration of an EC-defined GI. The fact that the EC and its Member States have legally defined rights and obligations in relation to each other and to EC Member State nationals makes the registration and objection processes for EC nationals fundamentally different to those for non-EC nationals. Few other WTO Member governments have such legally defined relationships affecting the maintenance and enforcement of an intellectual property right, a right expressly recognised as a private right by the *TRIPS Agreement*."

7.61 The Panel considers that the claim in respect of the application procedures under the TRIPS Agreement, whilst it could have been expressed more clearly, does appear in these passages in Australia's first written submission. The references to persons seeking to register a GI, or the proposed registration of a GI, include the application procedures. The submission refers expressly to the lack of direct applications for non-EC nationals and the obligations of EC member States in the registration process, which are the basis for this claim. Any doubts which the European Communities had in this respect should have been dispelled by Australia's express confirmation in its first oral statement that it had made this argument in support of its claim that the measure as a whole does not accord national treatment to non-EC nationals. A respondent that chooses not to respond to a claim does so at its own risk.

7.62 The European Communities has suffered no prejudice to its ability to defend itself, because it has responded to overlapping claims presented by Australia based on the same aspects of the application procedures under GATT 1994 and the opposition procedures based on the same obligation under the TRIPS Agreement, as well as the same claim as made by the United States based on the same aspects of the application procedures under GATT 1994.

7.63 For these reasons, the Panel will consider this claim.<sup>96</sup>

## 11. Claim regarding the labelling requirement under GATT 1994

7.64 **Australia** claimed in its first written submission that the labelling requirement in Article 12(2) of the Regulation was inconsistent with Article 2.1 of the TBT Agreement, but it did not claim at that time that it was inconsistent with Article III:4 of GATT 1994.<sup>97</sup>

7.65 The **European Communities** responded to Australia's claim in its first written submission, arguing that Article 12(2) of the Regulation did not constitute a technical regulation within the meaning of Annex 1.1 of the TBT Agreement and was not otherwise incompatible with Article 2.1 of the TBT Agreement. It responded to the United States' claim that Article 12(2) was inconsistent with Article III:4 of GATT 1994 and noted that Australia did not make such a claim in this regard.<sup>98</sup>

7.66 In its rebuttal, **Australia** submitted that, should the Panel consider that Article 12(2) of the Regulation did not constitute a technical regulation within the meaning of Annex 1.1 of the TBT Agreement, it nevertheless accorded treatment less favourable to imported products inconsistently with Article III:4 of GATT 1994.<sup>99</sup>

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<sup>96</sup> See paras. 7.276 and following below.

<sup>97</sup> Australia's first written submission, paras. 157-180 and 264.

<sup>98</sup> European Communities' first written submission, paras. 437-457, 469-482, 209 and fn. 100.

<sup>99</sup> Australia's rebuttal submission, para. 179.

7.67 In its second oral statement, the **European Communities** maintained that Australia had challenged Article 12(2) of the Regulation under Article 2.1 of the TBT Agreement and that the United States had challenged it under Article III:4 of GATT 1994.<sup>100</sup>

7.68 The Panel notes that Australia only asks the Panel to address Article 12(2) of the Regulation under Article III:4 of GATT 1994 should the Panel consider that Article 12(2) does not constitute a technical regulation within the meaning of Annex 1.1 of the TBT Agreement. This premise has not been met and further consideration is therefore unnecessary.<sup>101</sup>

## 12. Endorsement of arguments by another complainant

7.69 **Australia**, in its opening statement at the first substantive meeting with the Panel, formally endorsed certain comments made by the United States. These were "those comments concerning the rights required to be granted in respect of trademarks" and "the comments made by the United States concerning the EC's national treatment obligations under the TRIPS Agreement and GATT 1994". Australia also offered "additional comments" in its first oral statement.<sup>102</sup>

7.70 The Panel understands that these endorsements refer to comments made by the United States in its first opening oral statement. By virtue of these endorsements, the referenced comments of the United States form part of Australia's case. This was confirmed in Australia's opening statement at the second substantive meeting as follows:

"Our case in total would include of course all the material we have submitted to the Panel directly, or via endorsement of arguments made by the US in this dispute."<sup>103</sup>

7.71 However, the next day, in its closing statement, the representative of Australia said the following:

"Australia endorses all of the arguments put forward by the United States. Where there are differences between the complainants, these are a result of different understandings of the flawed measure at issue in this dispute and, in any case, are not material differences."<sup>104</sup>

7.72 The **European Communities** objected orally during the same meeting. It informed the Panel that it did not know which particular arguments Australia was endorsing because at times the United States' arguments contradicted Australia's arguments. Further, an overall endorsement did not respect its rights of defence.

7.73 The Panel notes, by way of illustration, the following examples provided by the European Communities of differences between the arguments presented by Australia and the United States. First, Australia had argued as follows with respect to the interpretation of Article 24.5 of the TRIPS Agreement:

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<sup>100</sup> European Communities' second oral statement, para. 129.

<sup>101</sup> See para. 7.459 below.

<sup>102</sup> Australia's first oral statement, paras. 30 and 33.

<sup>103</sup> Australia's opening statement at the second substantive meeting, para. 2.

<sup>104</sup> Australia's closing statement at the second substantive meeting, second paragraph. In its comments on the descriptive part of this report, it requested that paragraph 2.15 be elaborated to make clear that Australia made this endorsement.

"[T]he right to use a trademark refers to the ongoing ability to use a trademark where rights to a trademark have been acquired through use in good faith."<sup>105</sup>

7.74 In its closing statement, Australia said that it endorsed arguments which include the following:

"[T]he right to use a trademark' is not specifically limited in the text to trademarks whose rights are acquired through use (although it would appear to include such trademarks). Rather the obligation not to prejudice the right to use a trademark – to harm or damage the permitted or forbidden activity associated with application of a trademark to its purpose – would include an obligation with respect both to registered and non-registered trademarks (...)"<sup>106</sup>

7.75 Australia's endorsement in its closing statement does not enable the Panel to ascertain the case that Australia asks it to consider on this key point (considered in Section VII:D of this report).

7.76 Second, when the Panel asked Australia whether it alleged that Article 12(2) of the Regulation provides any less favourable treatment to imported products besides labelling costs, Australia replied "No."<sup>107</sup> In its closing statement, Australia said that it endorsed arguments which included the following:

"The requirement of Article 12(2) that GIs for imported products, but not for domestic products, must be accompanied by a clear and visible indication of country of origin on the label is not simply a labeling cost issue. This requirement provides less favorable treatment to non-EC nationals and products in part because the non-EC GI, unlike the EC GI, is being burdened by an additional labeling requirement that is in the nature of a qualifier that detracts from the value of the GI (...)"<sup>108</sup>

7.77 Australia's endorsement in its closing statement does not enable the Panel to ascertain the case that Australia asks it to consider on this point (considered in Section VII:B of this report). By way of further illustration, the Panel notes that the United States has presented arguments in support of its MFN claims which Australia chose not to pursue after the establishment of the Panel (mentioned in Section VII:A of this report).

7.78 Therefore, the Panel does not agree with Australia that there are no material differences between the complainants' respective cases. Australia's endorsement in its closing statement was sweeping and unlimited. More information was required in order to explain how it related to parts of Australia's case as presented prior to the end of the second substantive meeting with the Panel.

7.79 The Panel has examined the parties' arguments in the course of its assessment of the matter before it. However, it is not part of the Panel's function to participate in making a party's case, as this would compromise its duty to make an objective assessment. The Panel should not have to sift Australia's and the United States' respective arguments and make an assessment of where there are possible contradictions, where there is possible support for a claim and where the United States' arguments are irrelevant to Australia's claims, simply in order to establish what case Australia wished to bring. Further, the European Communities, as the respondent, is entitled to know the case that it has to answer from each complainant. It is unable to know with certainty what Australia's case actually is in the final analysis, as regards the endorsement in the closing statement. Australia bore

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<sup>105</sup> Australia's response to Panel question No. 76.

<sup>106</sup> United States' response to Panel question No. 76.

<sup>107</sup> Australia's response to Panel question No. 52.

<sup>108</sup> United States' response to Panel question No. 120.

the responsibility to make its own case clear and, as regards the arguments covered by this endorsement, it has failed to discharge that responsibility.

7.80 The lateness of this endorsement also raises an issue of due process. Whilst the overlapping nature of the claims presented by the two complainants is a particular feature of this dispute, a respondent may choose to defend certain arguments in support of one claim, but not others. After the enlargement of one complainant's case at the end of the second substantive meeting, the respondent may understandably wish to respond to certain arguments for the first time. However, at that stage, it only has the opportunity to respond to written questions and comment on the other parties' responses, which may provide insufficient opportunity to respond to those arguments. This could compromise the respondent's ability to defend itself against each complainant.

7.81 There are no relevant specific circumstances in this proceeding to take into account. Australia had ample opportunity to make its case. It did not endorse all the United States' arguments earlier when it endorsed specific comments, either at the first substantive meeting or in its opening statement at the second substantive meeting.

7.82 Accordingly, the Panel does not consider that Australia's statement that it endorsed all of the United States' arguments was a sufficient basis for the Panel to consider that Australia's arguments as presented earlier were modified. Nevertheless, the Panel accepts Australia's earlier endorsements of certain comments of the United States, as described in paragraphs 7.69-7.70 above, and takes note of the referenced comments.

### **13. Exhibits containing legislation of other Members**

7.83 **Australia** requests that the Panel reject six exhibits submitted by the European Communities which consist of extracts of legislation of Australia and two third parties. This request is made on the grounds that the exhibits are allegedly not relevant.<sup>109</sup>

7.84 The Panel does not consider it appropriate to remove these exhibits from the record. They form part of the respondent's submission. To the extent that they lack evidentiary worth, they will suffer from that defect and the Panel will disregard them.

### **14. Request by a third party for a suggestion on ways to implement a recommendation**

7.85 **Mexico** considers that "cochineal" should be removed from the list of products covered by the Regulation set out in its Annex II. As a third party, Mexico does not submit this as a claim, but requests that the Panel make a suggestion to this effect pursuant to the second sentence of Article 19.1 of the DSU. Mexico argues that there is no requirement that a request for such a suggestion must be forwarded by one of the parties. If the Panel does not deem it appropriate to make such a specific suggestion, the same result would be achieved by a suggestion that the European Communities withdraw the Regulation.<sup>110</sup>

7.86 The Panel takes note of Mexico's request. The issue of the product coverage of the Regulation is not challenged by the claims in this dispute and is therefore outside the Panel's terms of reference. However, Mexico's attention is drawn to Article 10.4 of the DSU.

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<sup>109</sup> Australia's second oral statement, para. 104. Australia also requests that the Panel exclude these and other exhibits submitted by the European Communities consisting of extracts of legislation of other Members, on the grounds that it has failed to establish the meaning of the legal provisions within the legal order of those Members: see Australia's comments on the EC's responses to questions, paras. 2-4. This does not concern the record of the proceedings and can be dealt with, if necessary, in the consideration of the relevant claim.

<sup>110</sup> Annex C, para. 117.

## 15. Order of analysis of claims

7.87 The claims in this dispute are made under the TRIPS Agreement, GATT 1994 and the TBT Agreement. Certain claims under the TRIPS Agreement and GATT 1994 relate to the same aspects of the measure at issue.<sup>111</sup> There is no hierarchy between these two agreements, which appear in separate annexes to the WTO Agreement. One logical approach would be to begin in each instance with the TRIPS Agreement. The Panel will follow that order of analysis in this report.

7.88 The Panel will consider the claims relevant to each aspect of the measure in turn. The following sections of the findings are organized as follows:

- Section B National treatment claims
- Section C Trade-restrictiveness claim
- Section D Trademark claims
- Section E Other claims

### B. NATIONAL TREATMENT CLAIMS

#### 1. Availability of protection

(a) Do the conditions in Article 12(1) of the Regulation apply to WTO Members?

(i) *Main arguments of the parties*<sup>112</sup>

7.89 **Australia** claims that GIs (as defined in the Regulation) located in the territory of a WTO Member outside the European Union can only be registered under the Regulation if the Member government in whose territory the GI is located is able and willing to meet the conditions in Article 12(1), which require it to adopt a system for GI protection that is equivalent to that in the European Communities and provide reciprocal protection to products from the European Communities.<sup>113</sup> It specifically endorses comments made by the United States in its first oral statement concerning the European Communities' national treatment obligations under the TRIPS Agreement and GATT 1994.<sup>114</sup>

7.90 Australia argues that the European Communities had consistently led other WTO Members to believe that Article 12(1) of the Regulation applied to them. It argues that the European Communities' interpretation of the Regulation does not invalidate the meaning of the provisions submitted by Australia, and is not supported by the text of Articles 12 to 12d, which only distinguish between nationals of WTO Members and other third countries where he express language so provides. The Regulation would not be interpreted by the European Court of Justice in light of the

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<sup>111</sup> In its rebuttal, Australia also referred to a claim under GATT 1994 as an alternative to one of its claims under the TBT Agreement. The Panel's approach to this issue is discussed in paras. 7.64-7.68.

<sup>112</sup> The Panel's citations of parties' submissions in this report are not exhaustive. At times, parties' positions are elaborated in other submissions and responses to questions which are attached in full in Annexes A and B to this report.

<sup>113</sup> Australia's first written submission, paras. 165-168, 172-173 and 199.

<sup>114</sup> Australia's first oral statement, para. 33. The United States' first oral statement included *inter alia* comments that Article 12(1) does not suggest that WTO Members are excluded from its conditions and Article 12a sets out the sole process under the Regulation for the registration of non-EC GIs. If the conditions in Article 12(1) do not apply to WTO Members, then they may not be recognized under Article 12(3) and the Article 12a procedure is still not available for them.

European Communities' international obligations because it does not state that it is intended to implement a particular GATT 1947 or WTO obligation.<sup>115</sup> Australia understands that the introductory phrase "[w]ithout prejudice to international agreements" was intended to allow for an international agreement – whether bilateral or plurilateral – to incorporate different conditions but it does not, and was not intended to, incorporate the European Communities' obligations under the WTO Agreement.<sup>116</sup>

7.91 Australia argues that the Panel is not bound by the European Communities' interpretation of its own measure to any extent. The Panel's obligation is to appraise whether that interpretation is supported by the text of the Regulation, having regard to all relevant factors including the plain text of the relevant provisions, the European Communities' previous explanations of their meaning, its failure to explain inconsistencies in its new interpretation and the fact that the statements of EC representatives to the Panel do not create new legal obligations in Community law.<sup>117</sup>

7.92 The **European Communities** responds that the conditions in Article 12(1) of the Regulation do not apply to geographical areas located in WTO Members. The introductory phrase of Article 12(1) provides that it applies "[w]ithout prejudice to international agreements" – which include the WTO agreements. This is made clear by the eighth recital of the April 2003 amending Regulation which took specific account of the provision of the TRIPS Agreement. WTO Members are obliged to provide protection to geographical indications in accordance with Section 3 of Part II and the general provisions and basic principles of the TRIPS Agreement. For this reason, Article 12(1) and 12(3) do not apply to WTO Members. Accordingly, the registration of GIs from other WTO Members is subject to exactly the same conditions as the registration of GIs from the European Communities.<sup>118</sup>

7.93 The European Communities argues that the procedure under Article 12a of the Regulation is not limited to the cases covered by Article 12(3). The term "third country" in Articles 12 through 12d does or does not include WTO Members depending on the wording, context and objectives of each specific provision. The evidence of prior statements by Community officials does not contradict the European Communities' interpretation in this Panel proceeding and more recent statements support it. The statements made by the agents of the European Commission before the Panel commit and engage the European Communities but their intention is not to create new legal obligations in public international or in Community law. They are made on behalf of the European Communities as a whole and not only the Commission. Community legislation must, so far as possible, be interpreted in a manner that is consistent with international law, in particular where its provisions are intended specifically to give effect to an international agreement concluded by the Community, as indicated by the phrase "[w]ithout prejudice to international agreements". An interpretation that limited that phrase to bilateral agreements would largely deprive it of its useful value.<sup>119</sup>

7.94 The European Communities does not consider that the Panel is "bound" by the EC's interpretation of its own measure. However, it submits that the Panel must take due account of the fact that the Regulation is a measure of EC domestic law and establish its meaning as a factual element. This means that: (1) the burden of proof is on the complainant to establish the meaning of the measure. Given that the claim in the present dispute is based on the measure *per se* and not as

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<sup>115</sup> Australia's first oral statement, paras. 18-23; rebuttal submission, paras. 33-49; second oral statement, paras. 3-9.

<sup>116</sup> Australia's response to Panel question No. 6.

<sup>117</sup> Australia's response to Panel question No. 1; rebuttal submission, paras. 69-71.

<sup>118</sup> European Communities' first written submission, paras. 62-67; first oral statement, paras. 41-44; rebuttal submission, para. 52.

<sup>119</sup> European Communities' responses to Panel questions Nos. 7, 8, 15 and 16; rebuttal submission, paras. 11, 58-60 and 71-87; second oral statement, paras. 45 and 50.

applied, the complainant must establish "beyond doubt" that the measure entails a violation; (2) in making an objective assessment of the facts and the interpretation of the measure, the Panel should be guided by the rules of interpretation customary in the EC's domestic legal order; and (3) it is the EC's authorities who must interpret and apply the measure and therefore its explanations must be given considerable deference.<sup>120</sup>

(ii) *Main arguments of third parties*

7.95 **Argentina** asserts that the conditions of equivalence and reciprocity apply to GIs located in all third countries. It is unconvinced by the European Communities' explanation of its measure. If its intention had been to distinguish between WTO Members and other third countries, it could have done so more explicitly.<sup>121</sup>

7.96 **Brazil** asserts that the conditions of equivalence and reciprocity apply to GIs located in all third countries. It considers that the European Commission's interpretation of the phrase "without prejudice to international agreements" would not necessarily withstand scrutiny by a judicial body and is unlikely given that the provisions that refer to "third countries" would have been drafted with only a handful of non-WTO Members in mind. The reference in Article 12(2) indicates that third countries means all third countries outside the European Communities, although in Articles 12a(2) and 12d(1) it could mean non-WTO Members. The EC's interpretation could *a contrario* indicate a recognition that the equivalence and reciprocity conditions violate national treatment obligations in GATT 1994 and TRIPS.<sup>122</sup>

7.97 **Canada** considers that Article 12 of the Regulation, read in context with Articles 12a, 12b and 12d, cannot support the interpretation advanced by the European Communities. The ambiguous reference to "international agreements" is insufficient to counter the clear wording. There would not appear to be an alternative legal basis for filing applications for countries outside the European Communities besides Article 12 due to the wording of Article 12a(1). Articles 12b and 12d refer to "WTO Members" and "third countries" which suggests no differential application to "third countries" in Articles 12 and 12a. The European Communities indicated that Article 12 applied to all WTO Members in a statement in September 2002 to the Council for TRIPS.<sup>123</sup>

7.98 **China** argues that the European Communities' interpretation is not accompanied by any supporting evidence and that there is no regulatory language in the provisions to exclude expressly the application of these provisions to WTO Members. The preamble to the April 2003 amending Regulation refers specifically to WTO Members in relation to the right of objection, but does not exclude WTO Members from the equivalence and reciprocity conditions. Had the drafters intended that it should not apply, they would have inserted a clause to that effect in the preamble. The European Communities appears to have admitted that portions of Article 12, regarding product specifications and inspection, do apply to WTO Members.<sup>124</sup>

7.99 **Colombia** submits that, if the European Communities' interpretation of "without prejudice to international agreements" is correct, the Panel should recommend that it modify its legislation in such a way that that phrase acquires the scope and meaning that are assigned to it in the EC's first written submission.<sup>125</sup>

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<sup>120</sup> European Communities' response to Panel question No. 1; second oral statement, paras. 5-7.

<sup>121</sup> Annex C, para. 17.

<sup>122</sup> Annex C, paras. 23-24.

<sup>123</sup> Annex C, paras. 47-50.

<sup>124</sup> Annex C, para. 72.

<sup>125</sup> Annex C, para. 99.



7.100 **Mexico** submits that the language of Article 12(1) of the Regulation is precise and unequivocal. Third countries must satisfy conditions of equivalence and reciprocity in order to receive the same protection as EC member States.<sup>126</sup>

7.101 **New Zealand** submits that the European Communities' interpretation of Article 12(1) and (3) and the phrase "without prejudice to international agreements" is novel and does not withstand close scrutiny. It runs counter to the usual meaning of that phrase and effectively admits that requiring nationals of WTO Members to satisfy the procedures in Article 12(1) and (3) would be contrary to WTO obligations. It is inconsistent with the wording of the Regulation itself and, if Article 12(3) does not apply to WTO Members, then the application procedure in Article 12a would not either. This is the first time that this interpretation has been raised by the European Communities. The alternative interpretation adopted by the complainant is consistent with the wording of the Regulation.<sup>127</sup>

7.102 **Chinese Taipei** asserts that the conditions of equivalence and reciprocity apply to GIs located in all third countries.<sup>128</sup>

(iii) *Consideration by the Panel*

7.103 The first issue in this dispute concerns the conditions for registration of GIs under the Regulation. It is not disputed that a GI located outside the European Communities has never been registered nor the subject of an application made under the Regulation, and that no attempt has ever been made to file an application to register such a GI under the Regulation.<sup>129</sup> Therefore, the provisions concerning the protection of such GIs have never been applied in a particular instance. However, Australia challenges this aspect of the Regulation "as such".

7.104 The parties agree that the conditions set out in Article 12(1) of the Regulation do not apply to the protection of GIs located within the territory of the European Communities. They disagree as to whether they apply to the protection of GIs located in other WTO Members. Australia claims that they do so apply, and it is not disputed that the European Communities never made a clear statement that these conditions did not so apply prior to this panel proceeding. However, the European Communities responds in its submissions to the Panel that the conditions only apply to third countries that are not WTO Members.

7.105 The European Communities' position, as expressed in its submissions to the Panel, has been welcomed in principle by the complainants and by two third parties.<sup>130</sup> If Australia were satisfied with this position, it would provide a positive solution to many of the national treatment claims in this dispute. However, Australia is not persuaded that the European Communities would be able to implement the position that it has presented to the Panel in light of the terms of the Regulation on its face, allegedly prior inconsistent statements by the European Communities in the Council for TRIPS, the Commission's Guide to the Regulation and elsewhere, and inconsistent statements made during this Panel proceeding by the European Communities.<sup>131</sup> Australia submits that only formal amendments of the provisions of the Regulation could ensure their interpretation in a manner

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<sup>126</sup> Annex C, para. 110.

<sup>127</sup> Annex C, paras. 126-128.

<sup>128</sup> Annex C, paras. 171-172.

<sup>129</sup> See the parties' respective responses to Panel questions Nos. 11 and 12 and third party comments in Annex C. For the sake of brevity, the Panel refers to a name that refers to a geographical area located in a Member as a GI located in that Member.

<sup>130</sup> See para. 7 of the United States' first oral statement, endorsed by Australia, first oral statement, para. 33, and summaries of arguments of Brazil and Canada, Annex C, paras. 24 and 47.

<sup>131</sup> Australia's first oral statement, para. 19; rebuttal submission, paras. 32-49.

consistent with the European Communities' obligations.<sup>132</sup> Therefore, although the European Communities submits that the Regulation already is in conformity with its obligations, the Panel is obliged to proceed with its assessment of the national treatment claims based on Article 12(1) of the Regulation.

7.106 The fact that this is an "as such" challenge, and that the parties disagree sharply on whether the European Communities' interpretation of its own measure is correct, requires the Panel to conduct a detailed examination of the Regulation. In doing so, the Panel examines the Regulation solely for the purpose of determining its conformity with relevant obligations under the WTO covered agreements.<sup>133</sup> Although the Regulation is part of the European Communities' domestic law, the parties agree that the Panel is not bound by the European Communities' interpretation of its provisions.<sup>134</sup> Rather, the Panel is obliged, in accordance with its mandate, to make an objective assessment of the meaning of the relevant provisions of the Regulation. In this context, the Panel is mindful that, objectively, a Member is normally well placed to explain the meaning of its own law. To the extent that either party advances a particular interpretation of a provision of the Regulation at issue, it bears the burden of proof that its interpretation is correct.

7.107 Turning to the Regulation, the Panel notes that it applies to the registration of "designations of origin" and "geographical indications", as defined.<sup>135</sup> For ease of reference, and without prejudice to their consistency with the definition of a geographical indication in Article 22.1 of the TRIPS Agreement, we shall refer to them both as "GIs" in this report, except where the context requires otherwise.

7.108 Certain facts are agreed. The parties agree that the Regulation contains two sets of detailed procedures for the registration of GIs for agricultural products and foodstuffs. The first procedure, in Articles 5 through 7, applies to the names of geographical areas located in the European Communities.<sup>136</sup> It has been part of the Regulation since its adoption in 1992, although it has been amended subsequently in certain respects. The second procedure, principally found in Articles 12a and 12b, applies to the names of geographical areas located in third countries outside the European Communities.<sup>137</sup> It was inserted in the Regulation in April 2003. A third procedure for registration of GIs protected under the national law of EC member States was formerly available under Article 17, but was deleted in April 2003. A fourth possibility is registration by means of an international agreement, discussed below.

7.109 The parties disagree as to whether the second of these procedures is subject to additional conditions found in Article 12(1) of the Regulation that do not apply to the first procedure. Article 12(1) provides as follows:

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<sup>132</sup> Australia's rebuttal submission, para. 72.

<sup>133</sup> This was the approach of the Appellate Body in *India – Patents (US)*, paras. 65-68.

<sup>134</sup> Parties' respective responses to Panel question No. 1.

<sup>135</sup> The terms "designation of origin" and "geographical indication" are defined in Article 2(2) of the Regulation and they and the abbreviations "PDO" and "PGI" are found in Article 4 of the Regulation (Exhibits COMP-1b and EC-1). Detailed rules of application of the Regulation are found in Commission Regulation (EEC) No. 2037/93 (Exhibit COMP-2).

<sup>136</sup> This is apparent from Article 5(4) of the Regulation which provides that "[t]he application shall be sent to the Member State in which the geographical area is located", and was confirmed by the European Communities in its response to Panel question No. 2. The European Communities also noted that Articles 12a and 12b refer to certain provisions in Articles 5 to 7 as well.

<sup>137</sup> This is apparent from Article 12a(1) of the Regulation which provides that "if a group of a natural or legal person ... in a third country wishes to have a name registered under this Regulation it shall send a registration application to the authorities in the country in which the geographical area is located", and was confirmed by the European Communities in its response to Panel question No. 2.

"1. Without prejudice to international agreements, this Regulation may apply to an agricultural product or foodstuff from a third country provided that:

- the third country is able to give guarantees identical or equivalent to those referred to in Article 4,
- the third country concerned has inspection arrangements and a right to objection equivalent to those laid down in this Regulation,
- the third country concerned is prepared to provide protection equivalent to that available in the Community to corresponding agricultural products or foodstuffs coming from the Community."

7.110 Article 12 has been part of the Regulation since its adoption in 1992, although it was amended in April 2003 by the insertion of the requirement of a right of objection equivalent to those laid down in the Regulation, when Article 12(3) and Articles 12a through 12d, including the second procedure described above, were inserted. It is not in dispute that many WTO Members, including Australia, do *not* satisfy the conditions set out in Article 12(1).

7.111 The factual issue for the Panel to decide is whether the conditions set out in Article 12(1) apply to the availability of protection for GIs located in WTO Members. In other words, the factual issue is whether the registration procedure in Articles 12a and 12b is available for GIs located in WTO Members that do not satisfy the conditions in Article 12(1).

7.112 Australia presents two types of evidence. The first is the text of the Regulation and the second consists of the European Communities' own statements concerning the Regulation prior to, and during, this Panel proceeding.

7.113 The Panel begins its analysis by reviewing the measure on its face.<sup>138</sup> The procedure in Articles 12a and 12b of the Regulation begins with the filing of an application under paragraph 1 of Article 12a and continues with its initial examination under paragraph 2. The text of paragraph 1 begins "[i]n the case provided for in Article 12(3)", which immediately limits the availability of the procedure according to the terms of Article 12(3). The text of paragraph 2 of Article 12a begins "[i]f the third country referred to in paragraph 1 deems ..." which confirms that this aspect of the procedure is limited in the same way as paragraph 1. Paragraph 1 of Article 12b sets out the next step in the same procedure and refers to the registration request sent by "the third country", which is the third country described in Article 12b(2).

7.114 Article 12(3) of the Regulation provides as follows:

"3. The Commission shall examine, at the request of the country concerned, and in accordance with the procedure laid down in Article 15 whether a third country satisfies the equivalence conditions and offers guarantees within the meaning of paragraph 1 as a result of its national legislation. Where the Commission decision is in the affirmative, the procedure set out in Article 12a shall apply."

7.115 The case provided for in this paragraph is clear: it refers to a third country which satisfies the conditions in Article 12(1). The initial clause of Article 12a, as confirmed by the chain of cross-references in Articles 12a(2) and 12b(1), therefore limits the procedure in Articles 12a and 12b to such third countries. No other provision in Article 12a or 12b indicates that that procedure is

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<sup>138</sup> This was the Appellate Body's approach to an "as such" claim in its report on *US – Corrosion-Resistant Steel Sunset Review*, at para. 168.

available for the registration of GIs located in a third country which does not satisfy the conditions in Article 12(1), even if it is a WTO Member. This is consistent with Article 12b(2), which provides for objections in the same procedure, and expressly distinguishes between a "Member State of the European Union or a WTO member" and "a third country meeting the equivalence conditions of Article 12(3)". The implication is that a WTO Member is not necessarily a third country meeting those conditions.<sup>139</sup>

7.116 The only other provision in the Regulation which could indicate the possibility of registration of GIs located in a third country which does *not* satisfy the conditions in Article 12(1) is the introductory phrase of Article 12(1) itself, which prefaces the conditions with the clause "[w]ithout prejudice to international agreements". The European Communities concedes that the application of the conditions in Article 12(1) of the Regulation would prejudice its obligations under Article III:4 of GATT 1994 and submits to the Panel that, as a consequence, it would not apply those conditions to GIs located in WTO Members. Nevertheless, it does not follow that the procedure in Articles 12a and 12b is available for the registration of GIs located in WTO Members. That procedure is limited to third countries which satisfy the conditions in Article 12(1) and there is no other procedure in the Regulation available for WTO Members that do not satisfy those conditions. There is the possibility of protection pursuant to an international agreement, but no existing international agreement either incorporates the procedure under Articles 12a and 12b of the Regulation or contains an application and registration procedure for GIs located in all WTO Members. In particular, neither GATT 1994 nor the TRIPS Agreement contains any such procedure.

7.117 Other provisions in the Regulation may also shed light on this issue. Article 12d(1), which provides a right of objection to registration of GIs located in the European Communities, distinguishes twice between persons from "a WTO Member country or a third country recognized under the procedure provided for in Article 12(3)".<sup>140</sup> This expressly grants a right of objection to persons from WTO Members and is a further indication that where the Regulation refers to "a third country recognized under the procedure provided for in Article 12(3)" it does not include a WTO Member unless it has been recognized under that procedure.

7.118 Four other provisions also refer to "a third country recognized under the procedure provided for in Article 12(3)" (or analogous terms) without referring to a WTO Member: Article 5(5) on registration of GIs that straddle the external border of the European Communities, Article 6(6) on homonymous GIs, Article 10(3) on inspection structures and Article 13(5) on the coexistence of registered and unregistered GIs. The European Communities' view of Article 10(3) is that it includes WTO Members<sup>141</sup>, and there seems to be no reason why the other three provisions should exclude WTO Members. These provisions seem to confirm that WTO Members are included in the term "third countries" and therefore require recognition under the procedure provided for in Article 12(3).

7.119 The preamble of the Regulation, which has contained the conditions in Article 12(1) more or less in their current form since the original version was adopted in 1992, sets out its justification. The 19<sup>th</sup> recital reads as follows:

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<sup>139</sup> The second sentence of Article 12(3) provides that the procedure in Article 12a shall apply to third countries which the Commission decides satisfy the conditions in Article 12(1). This sentence alone does not exclude the possibility that the procedure might apply to other third countries which do not satisfy those conditions, but there is no other provision in the Regulation to that effect.

<sup>140</sup> This is considered in detail in para. 7.382 below.

<sup>141</sup> European Communities' responses to Panel question Nos. 126(a) and (b).

"Whereas provision should be made for trade with third countries offering equivalent guarantees for the issue and inspection of geographical indications or designations of origin granted on their territory;"<sup>142</sup>

7.120 The phrase "equivalent guarantees for the issue and inspection" of GIs is a clear reference to the conditions in Article 12(1). There is no recital referring to the possibility of GIs located in any other third countries which do not satisfy these conditions.

7.121 The preamble to the April 2003 amending Regulation, which modified Article 12 and inserted a detailed procedure for applications and objections from third countries in Articles 12a through 12d, sets out the justification for the amendments as follows:

- "(8) The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement 1994, contained in Annex 1C to the Agreement establishing the World Trade Organisation contains detailed provisions on the existence, acquisition, scope, maintenance and enforcement of intellectual property rights.
- (9) The protection provided by registration under Regulation (EEC) No 2081/92 is open to third countries' names by reciprocity and under equivalence conditions as provided for in Article 12 of that Regulation. That Article should be supplemented so as to guarantee that the Community registration procedure is available to the countries meeting those conditions.
- (10) Article 7 of Regulation (EEC) No 2081/92 specifies how objections are to be made and dealt with. To 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 and that the provisions in question apply without prejudice to international agreements, as provided for in Article 12 of the said Regulation. (...)"<sup>143</sup>

7.122 Paragraph 8 recalls the subject-matter of the TRIPS Agreement without elaborating on its relevance to the Regulation. This clarifies the reference to Article 22 of the TRIPS Agreement in paragraph 10 but it is not clear whether it also relates to paragraph 9. In any event, on the European Communities' later interpretation, the TRIPS Agreement is not relevant to the WTO-consistency of the conditions provided for in Article 12, as referred to in paragraph 9. Rather, the European Communities submits that GATT 1994 ensures their WTO-consistency. GATT 1994 is not recited in the preamble.

7.123 Paragraph 9 contains no qualifier referring to WTO Members, which appears to confirm the position that the conditions in Article 12(1) apply to the availability of protection of GIs located in third countries and that the registration procedure in Articles 12a and 12b is not available for GIs located in WTO Members that do not satisfy those conditions.

7.124 Paragraph 10 includes the phrase "without prejudice to international agreements, as provided for in Article 12", but it only relates to the right of objection granted to WTO Members' nationals. This is a clear reference to Articles 12b(2) and 12d(1), which were inserted by the amending Regulation. It can be noted that they are the only two provisions in the current version of the Regulation that expressly refer to a "WTO Member", where they also distinguish a WTO Member from a third country recognized under Article 12(3).

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<sup>142</sup> Exhibits COMP-1b and EC-1.

<sup>143</sup> Exhibit COMP-1h.

7.125 In the Panel's view, the meaning and content of these aspects of the Regulation, together with the amending Regulation, are sufficiently clear on their face for Australia to have discharged its burden of proof of establishing that, under the Regulation "as such", the availability of protection for GIs located in WTO Members is contingent upon satisfaction of the conditions set out in Article 12(1) and recognition by the Commission under Article 12(3).<sup>144</sup>

7.126 There is no supporting evidence of the meaning of these aspects of the Regulation in the form of an interpretation of the relevant provisions by the European Court of Justice or any other domestic court.<sup>145</sup> This is partly explained by the facts that no requests for registration of foreign GIs have been made under the Regulation and that Articles 12a through 12d were inserted only recently, in April 2003.

7.127 Australia also presents evidence consisting of various statements by executive authorities of the European Communities which contain interpretations of the Regulation. The Panel considers that such statements can be useful as, objectively, a WTO Member is normally well placed to explain the meaning of its own domestic law.<sup>146</sup> However, the usefulness of any particular statement will depend on its contents and the circumstances in which it was made. The Panel has weighed the evidence and considers that one statement in particular, in light of the clarity of its contents and the official capacity in which it was delivered, is highly relevant to the issue at hand.

7.128 In a lengthy statement to the Council for TRIPS in September 2002 (prior to the insertion of Articles 12a through 12d), the European Communities specifically responded to the following view expressed by a group of Members, including Australia:

"[U]nder the current EC regulations, the EC does not appear to provide protection for non-EC geographical indications (i.e., place names of other WTO Members), except on the basis of bilateral agreements, or if the EC has determined that a country has a system for geographical indications that is equivalent to the detailed system of the EC."<sup>147</sup>

7.129 The European Communities introduced the relevant part of its response as follows:

"(...) I would like to address one issue that is raised regarding the fact that the EU register for GIs on foodstuffs does not allow the registration of foreign GI unless it is determined that a third country has an equivalent or reciprocal system of GI protection."<sup>148</sup>

7.130 The Panel notes that the European Communities was emphatic at that time that registration systems should primarily be aimed at domestic GIs and it quoted the legislation of several other WTO Members which allegedly do not register foreign GIs without an international agreement.<sup>149</sup> This statement by the European Communities in September 2002 to the Council for TRIPS therefore appears to support Australia's interpretation of the Regulation on its face.

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<sup>144</sup> The European Commission has not recognized any other country under this procedure: see European Communities' response to Panel question No. 10. It is not contested that the Commission cannot recognize a third country under Article 12(3) that does not satisfy the equivalence and reciprocity conditions.

<sup>145</sup> European Communities' response to Panel question No. 19.

<sup>146</sup> See para. 7.106 above.

<sup>147</sup> Communication from Australia, Canada, Guatemala, New Zealand, Paraguay, the Philippines and the United States (IP/C/W/360) para. 4.

<sup>148</sup> See the statement in the Annex to the minutes of that meeting in document IP/C/M/37/Add.1.

<sup>149</sup> *Ibid.*

7.131 The European Communities argues that the interpretation set forth in its September 2002 statement to the Council for TRIPS "is not incompatible with the text of Regulation 2081/92 as in force at the time it was made or with the statements of the EC in the present case". In its view, its intention at that time was not primarily to explain the EC system for the protection of geographical indications and its statement did not take account of amendments made in April 2003.

7.132 In the Panel's view, the European Communities' September 2002 statement was very clear in its interpretation of the relevant point of the Regulation. Further, nothing in the April 2003 amending Regulation appears to render that statement incompatible with the current version of the Regulation. In fact, the Panel's examination of the insertion of Article 12(3) and Articles 12a through 12d confirms that the conditions in Article 12(1) remain applicable on the same terms.

7.133 Australia also refers to the explanation of the amendments given by the European Commission at the time it proposed them, in March 2002. The Panel considers that this evidence corroborates the previous statement because of the clarity of its contents and the capacity in which it was made. In a press release, the Commission explained that, in order to comply with the TRIPS Agreement, it proposed to extend the right of objection to certain other WTO Member country nationals and further stated:

"Beyond mere TRIPS consistency, the Commission proposes important amendments designed to promote the EU system of denominations of origin as a model to the rest of the world. The driving idea behind is the wish to improve protection of European quality products also outside the EU. As the EU cannot force non-EU countries to do so, they would be invited to do so on a 'reciprocal basis'. If a non-EU country introduced an 'equivalent system' including the right of objection for the EU and the commitment to protect EU names on their territory, the EU would offer a specific protection to register their products for the EU market."<sup>150</sup>

The references to a reciprocal basis and an equivalent system are clear references to the conditions in Article 12(1) of the Regulation.

7.134 In its submissions to the Panel, the European Communities rejects that interpretation and submits that, due to the introductory phrase of Article 12(1) of the Regulation, "[w]ithout prejudice to international agreements", the conditions in Article 12(1) do not apply to the availability of protection for GIs located in WTO Members. It refers to a statement it made to the Council for TRIPS in June 2004 in the days before the first substantive meeting of this Panel<sup>151</sup> and a second edition of the Commission's Guide to the Regulation published in August 2004 in the days prior to the second substantive meeting of this Panel.<sup>152</sup> It advises that "[t]he guide was not prepared in connection with the Panel proceedings".<sup>153</sup>

7.135 The Panel recalls its reasoning in paragraph 7.116 above, and reiterates its view that, even if the phrase "[w]ithout prejudice to international agreements" had the effect of subjecting the conditions

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<sup>150</sup> European Commission: "Food quality: Commission proposes better protection for geographical names" (Press Release Reference: IP/02/422), Brussels, 15 March 2002 set out in Exhibit AUS-4.

<sup>151</sup> See the minutes of that meeting in IP/C/M/44, paras. 62-63, quoted in the European Communities' response to Panel question No. 16 prior to circulation and also set out in Exhibit EC-83. Responses given by the European Communities to questions posed by two other WTO Members in the TRIPS Council review of its legislation in 1996-1997, before the insertion of Articles 12a through 12d, are inconclusive on this issue as they contain no clear statement that equivalence and reciprocity conditions do not apply to the registration of GIs located outside the European Communities in countries without a bilateral agreement: see European Communities' response to Panel question No. 97.

<sup>152</sup> Exhibit EC-64.

<sup>153</sup> European Communities' response to Panel question No. 96.

in Article 12(1) to the terms of GATT 1994 or the TRIPS Agreement, those agreements do not contain a procedure for applications and registration for GIs located in all WTO Members. WTO Members would still have to satisfy the conditions in Article 12(1) in order for their GIs to gain access to the procedure in Articles 12a and 12b.

7.136 The European Communities admits that this would be a "nonsensical result".<sup>154</sup> However, it is unable to provide a satisfactory explanation as to how this result could be avoided in light of the wording of Article 12a, which begins "[i]n the case provided for in Article 12(3)". The European Communities points out that Article 12(3) refers to the conditions in Article 12(1) and since, in its view, those conditions do not apply to WTO Members, the procedure in Article 12(3) and the reference in Article 12a do not apply to them either.<sup>155</sup>

7.137 The Panel agrees that Article 12(3) provides for a Commission decision on whether a third country satisfies the conditions in Article 12(1) and accepts that, if those conditions do not apply to a third country, there would be no relevant decision under Article 12(3). Yet this does not alter the text of Article 12a which applies "[i]n the case provided for in Article 12(3)". Article 12a does not appear, on its face, to apply to the registration of a GI located in a third country, including a WTO Member, which is not recognized under Article 12(3). For these reasons, the Panel is not persuaded that the European Communities' interpretation is correct.

7.138 It is not necessary for the purposes of this dispute to determine which are the precise international agreements covered by the phrase "[w]ithout prejudice to international agreements". It suffices to note that there is a plausible alternative interpretation that it refers to bilateral agreements under which the European Communities would protect specific GIs.<sup>156</sup> The European Communities does not exclude this, but argues that there is no reason why *only* such specific agreements should be covered.<sup>157</sup> There are currently no such bilateral agreements for agricultural products and foodstuffs, although one has been foreshadowed in a joint declaration with Switzerland.<sup>158</sup>

7.139 In any event, the Panel is not persuaded by the European Communities' explanations during this Panel proceeding of the phrase "[w]ithout prejudice to international agreements" as used in Article 12(1) of the Regulation. At the first substantive meeting, in support of its first defence, it provided the following explanation of that phrase:

"(...) Such international agreements include the WTO Agreements. This is made clear by the 8<sup>th</sup> recital of Regulation 692/2003, which amended the procedures for the registration of non-EC geographical indications, and in this context took specific account of the provisions of the TRIPS.

"WTO Members are obliged to provide protection to geographical indications in accordance with Section 3 of Part II and the general provisions and basic principles of the TRIPS Agreement. For this reason, Article 12 (1) and (3) of Regulation 2081/92 do not apply to WTO Members. (...)"<sup>159</sup>

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<sup>154</sup> European Communities' second oral statement, para. 48.

<sup>155</sup> European Communities' response to Panel question No. 7.

<sup>156</sup> Australia's response to Panel question No. 6.

<sup>157</sup> European Communities' rebuttal submission, para. 69.

<sup>158</sup> European Communities' response to Panel question No. 21.

<sup>159</sup> European Communities' first written submission, paras. 65-66. It reiterated this in its first oral statement, at para. 43, and confirmed it in its response to Panel question No. 3 adding as follows:

"At the time that Regulation 2081/92 was adopted, the GATT was one of the agreements to which the 'without prejudice' clause applied. Moreover, at the time that Regulation 2081/92 was adopted, the TRIPS Agreement was in the final phases of its negotiation. It was therefore



7.140 This explanation was also reflected in a June 2004 statement that the European Communities made to the Council for TRIPS<sup>160</sup> and the August 2004 edition of the Commission's Guide to the Regulation<sup>161</sup>.

7.141 At the same time, the European Communities' second defence was that the conditions in Article 12(1) of the Regulation were not inconsistent with the national treatment obligations in the TRIPS Agreement, essentially because they discriminate according to the location of GIs and not according to the nationality of persons with rights in relation to GIs.<sup>162</sup>

7.142 It was not clear how these two defences could be reconciled. If the first defence implied that the conditions did not apply because they would prejudice the European Communities' national treatment obligations under the TRIPS Agreement, it would have contradicted the second defence that these conditions were not inconsistent with the national treatment obligations in the TRIPS Agreement. The Panel sought clarification from the European Communities by posing the question "does the EC contest that equivalence and reciprocity conditions such as those under Article 12(1) and (3) of Regulation (EC) No. 2081/92, if applied to other WTO Members, would be inconsistent with the national treatment obligations in the TRIPS Agreement and/or Article III:4 of the GATT 1994?". The European Communities declined to give a specific answer to the Panel's question and concluded as follows:

"As regards the specific conditions contained in Article 12 (1) of Regulation 2081/92, the EC has already confirmed that it does not apply these to WTO Members. For this reason, the EC considers that the question whether these conditions are inconsistent with the national treatment obligations of the TRIPS Agreement and the GATT does not arise."<sup>163</sup>

7.143 Australia then submitted that the European Communities had impliedly admitted that the conditions in Article 12(1) of the Regulation were contrary to WTO obligations.<sup>164</sup>

7.144 The Panel again sought clarification at the second substantive meeting, by asking which precise obligations under an international agreement would be prejudiced by the application of the specific conditions in Article 12(1) of the Regulation to WTO Members. The European Communities responded that it was its obligations under Article III:4 of GATT 1994, but not Article 3.1 of the TRIPS Agreement, because the Regulation did not involve any discrimination between nationals. It later confirmed this in writing.<sup>165</sup> Therefore, to the extent that the European Communities' explanation of the phrase "[w]ithout prejudice to international agreements" as used in Article 12(1) of the Regulation relies on the TRIPS Agreement, the European Communities has expressly denied that the phrase refers to its own obligations and the Panel does not consider that possible explanation further.<sup>166</sup>

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the objective that the 'without prejudice' clause should also apply to the TRIPS and other WTO agreements resulting from the Uruguay Round."

<sup>160</sup> See the minutes of that meeting in document IP/C/M/44, paras. 62-63, cited in response to Panel questions Nos. 16 and 95 and set out in Exhibit EC-83.

<sup>161</sup> Set out in Exhibit EC-64.

<sup>162</sup> European Communities' first written submission, paras. 123-126; first oral statement, paras. 46-47; rebuttal submission, para. 43.

<sup>163</sup> European Communities' response to Panel question No. 20.

<sup>164</sup> Australia's first oral statement, para. 23; rebuttal submission, para. 177; second oral statement, para. 61.

<sup>165</sup> European Communities' response to Panel question No. 94.

<sup>166</sup> In the same question, the Panel also sought clarification of the relevance of the reference to the TRIPS Agreement in the European Communities' first written submission, quoted at paragraph 7.139 above.

7.145 At this time, the European Communities' explanation of the phrase "[w]ithout prejudice to international agreements" as used in Article 12(1) of the Regulation relies on GATT 1994. In light of the European Communities' analysis that this phrase ensures that "should a conflict between the two acts or provisions occur, then the act or provision to which the 'without prejudice' reference is made prevails"<sup>167</sup>, it is clear that this explanation depends on the view that the equivalence and reciprocity conditions are inconsistent with the European Communities' obligations under Article III:4 of GATT 1994. However, this is difficult to reconcile with the European Communities' earlier view that the question whether these conditions are inconsistent with the national treatment obligations of GATT does not arise, quoted at paragraph 7.142 above. It was also omitted from the earlier explanation that the conditions did not apply because of obligations under the TRIPS Agreement, quoted at paragraph 7.139 above. Further, the evidence submitted by the European Communities provides no additional support for this explanation, as the amending Regulation recites the TRIPS Agreement but not GATT 1994, and the evidence identified at paragraph 7.140 above also reflects the explanation quoted at paragraph 7.139 above.

7.146 For all these reasons, the Panel is not persuaded by the European Communities' explanations of the phrase "[w]ithout prejudice to international agreements" as used in Article 12(1) of the Regulation.

7.147 The Panel takes note that there are various executive authorities involved in the implementation of the Regulation, including representatives of EC member States. Article 15 of the Regulation provides for a regulatory procedure under which the Commission shall be assisted by a regulatory committee composed of the representatives of the EC member States and chaired by the representative of the Commission, who does not vote.<sup>168</sup>

7.148 The European Communities' delegation to this panel proceeding confirms that the submissions made by agents of the European Commission before the Panel commit and engage the European Communities.<sup>169</sup> It also indicates that Community laws are generally not executed through authorities at Community level but rather through recourse to the authorities of its member States which, in such a situation, "act *de facto* as organs of the Community, for which the Community would be responsible under WTO law and international law in general".<sup>170</sup> The Panel accepts this explanation of what amounts to the European Communities' domestic constitutional arrangements and accepts that the submissions of the European Communities' delegation to this panel proceeding are made on behalf of all the executive authorities of the European Communities.<sup>171</sup>

7.149 The parties have presented evidence with respect to the approach that would be taken by the European Court of Justice if the executive authorities registered a GI that was not the subject of an international agreement and that was located in a third country that did not satisfy the conditions in Article 12(1) of the Regulation. The European Communities submits that, according to the settled case law of the European Court of Justice:

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The European Communities' response does not provide a clear explanation of the relationship between the obligations of WTO Members under the TRIPS Agreement and the applicability of the equivalence and reciprocity conditions under the EC's GI Regulation: see its response to question No. 94(b), second paragraph.

<sup>167</sup> European Communities' rebuttal submission, para. 55.

<sup>168</sup> This procedure is described in detail in paras. 7.388 to 7.389 below.

<sup>169</sup> European Communities' responses to Panel questions Nos. 15 and 18.

<sup>170</sup> European Communities' second oral statement, para. 148.

<sup>171</sup> The delegation of the European Communities to the meetings with the Panel was composed of officials of the European Commission and delegates of certain EC member States. The European Communities indicated that its statements to the Panel "commit and engage the European Communities": see response to Panel question No. 15. The Panel accepts that explanation, for the same reasons as those explained by the Panel in *US – Section 301 Trade Act*, at para. 7.123. See also, in this regard, paras. 7.304, 7.372 and 7.399 of the present report.

"Community legislation must, so far as possible, be interpreted in a manner that is consistent with international law, in particular where its provisions are intended specifically to give effect to an international agreement concluded by the Community."<sup>172</sup>

7.150 The Panel is not persuaded that it is possible to interpret the relevant aspects of the Regulation in the manner advanced by the European Communities in these proceedings, for the reasons already given. The Panel also notes that the basic Regulation does not indicate that its provisions are intended specifically to give effect to any international agreement concluded by the Community. Whilst the April 2003 amending Regulation recites the TRIPS Agreement, it would only seem to do so to justify extending the right of objection to nationals of WTO Members. In any case, the European Communities' later explanation is that the interpretation must take account of GATT 1994, which is not mentioned at all, rather than the TRIPS Agreement.

7.151 Article 11 of the DSU requires that "a panel should make an objective assessment of the matter before it, including an objective assessment of the facts of the case ...". In our view, our duty to make an *objective* assessment prohibits us from accepting the interpretation of the applicability of the conditions in Article 12(1) of the Regulation presented by the European Communities in this proceeding, for the reasons set out above.

7.152 Therefore, the Panel concludes that Australia has made a *prima facie* case that the equivalence and reciprocity conditions in Article 12(1) of the Regulation apply to the availability of protection for GIs located in third countries, including WTO Members. In other words, the registration procedure in Articles 12a and 12b is not available for GIs located in third countries, including WTO Members, that do not satisfy the conditions in Article 12(1). The European Communities has not succeeded in rebutting that case.

7.153 The Panel wishes to note that it has evaluated the European Communities' interpretation of the applicability of the equivalence and reciprocity conditions and not found it reflected in the text of the Regulation. Had this interpretation been reflected in the text of the Regulation, the Panel could have reached a different conclusion which would have rendered it unnecessary to continue with an examination of the consistency of those conditions with the provisions of the covered agreements.

(b) National treatment under the TRIPS Agreement

(i) *Main arguments of the parties*

7.154 **Australia** claims that the Regulation is inconsistent with Article 3.1 of the TRIPS Agreement and Article 2(1) of the Paris Convention (1967), as incorporated by Article 2.1 of the TRIPS Agreement, because it imposes conditions of *reciprocity* and *equivalence* on the availability of protection. Unless the WTO Member government in whose territory the geographical location at issue is situated is able and willing to meet the equivalence and reciprocity conditions, non-EC nationals are not able to access the rights available to EC nationals, including the advantages of registration.<sup>173</sup> Australia, at the first substantive meeting, expressly endorsed the comments made by the United States concerning the EC's national treatment obligations under the TRIPS Agreement.<sup>174</sup>

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<sup>172</sup> European Communities' response to Panel question No. 15 quoting Case C-341/95, *Bettati*, [1998] ECR I-4355, para. 20; which cited Case C-61/94, *Commission/Germany* [1996] ECR I-4006, para. 52, set out in Exhibits EC-13 and EC-14.

<sup>173</sup> Australia's first written submission, para. 199.

<sup>174</sup> Australia's first oral statement, para. 33. The United States' first oral statement included *inter alia* comments that the distinction between the location of a geographical area and the nationality of the right holder is not meaningful as right holders are overwhelmingly nationals of the place where their respective GIs are

7.155 Australia argues that at least one right at issue in this dispute is the right to obtain registration. Under the Regulation, a non-EC *national* seeking to register a GI for an area located outside the EU is treated less favourably than an EC national seeking to register a GI for an area located within the EU. It is not necessary to make assumptions about the population of other categories of nationals and the location of their rights.<sup>175</sup> In its view, a national for the purposes of the TRIPS Agreement, in the case of a natural person, is a person who possesses the nationality of a state in accordance with that state's laws or a person who is domiciled or who has a real and effective industrial or commercial establishment in a separate customs territory, as a proxy for the ordinary notion of nationality. In the case of a legal person, it is a person who is domiciled or who is established in the Member in accordance with whose laws nationality is claimed.<sup>176</sup>

7.156 Australia considers that *less favourable treatment* under Article 3.1 of the TRIPS Agreement does not preclude formally different treatment, and could include disadvantages or costs, whereas Article 2(1) of the Paris Convention (1967) requires the granting of the *same advantages*.<sup>177</sup> It argues that the perceived advantages of registration under the Regulation include protection against a registered name becoming generic, broad-ranging protection, including even against evocation of a registered GI, as well as ex officio Community-wide protection.<sup>178</sup>

7.157 Australia refers to the jurisprudence on Article III:4 of GATT 1994 and considers that "treatment no less favourable" in Article 3.1 of the TRIPS Agreement could be examined in terms of whether the effect of a measure is to modify the conditions of competition in the EC market to the detriment of nationals of other WTO Members with regard to the protection of intellectual property.<sup>179</sup> The effect of the Regulation at issue in this dispute is to accord less favourable treatment to non-EC nationals because the additional requirements for GIs located outside the EC overwhelmingly apply to non-EC nationals, given the reality that persons with an interest in securing the registration of the name of a geographical area will almost always be nationals of the Member in which that geographical area is located.<sup>180</sup>

7.158 Australia considers that an overarching exceptions provision analogous to Article XX of GATT 1994 was unnecessary in the TRIPS Agreement and is irrelevant to the assessment of *de facto* discrimination under that agreement because there were pre-existing multilateral intellectual property conventions already in place; Members may take account of legitimate public policy objectives as recognized in Articles 7 and 8 but then must apply them in accordance with national treatment and MFN treatment; specific exceptions exist in the TRIPS Agreement for separate categories of intellectual property rights.<sup>181</sup>

7.159 Australia also claims that the Regulation imposes a requirement of establishment in the EC inconsistently with Article 2(2) of the Paris Convention (1967).<sup>182</sup>

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located and that there is an obvious link and close relationship between the nationality of the persons who would seek GI protection for agricultural products and foodstuffs and the territory of the Member in which they are growing or producing such products, which is supported by data on the applicants for certification marks in the United States.

<sup>175</sup> Australia's response to Panel question No. 101.

<sup>176</sup> Australia's response to Panel question No. 23.

<sup>177</sup> Australia's response to Panel question No. 31.

<sup>178</sup> Australia's first written submission, para. 197.

<sup>179</sup> Australia's second oral statement, para. 74; response to Panel question No. 103.

<sup>180</sup> Australia's responses to Panel questions Nos. 22, 27 and 102; rebuttal submission, para. 184.

<sup>181</sup> Australia's response to Panel question No. 103.

<sup>182</sup> Australia's first written submission, paras. 199 and 206.

7.160 The **European Communities** responds that this claim must fail. Its first defence is that it does not, in fact, apply the conditions in Article 12(1) of the Regulation to geographical areas located in WTO Members. That defence has been considered in the previous sub-section.

7.161 The European Communities does not contest that national treatment under the TRIPS Agreement applies to more extensive protection granted in respect of intellectual property rights addressed in the TRIPS Agreement.<sup>183</sup>

7.162 The European Communities argues that the conditions in Article 12(1) of the Regulation do not depend on *nationality*. The Regulation sets out two procedures for registration: one for geographical areas located within the European Communities and one for those located outside the European Communities. Whether the geographical area is located within or outside the European Communities is in no way linked to the question of the nationality of the producers concerned.<sup>184</sup> This may concern the origin of the product but has nothing to do with the nationality of the producer, which is simply of no relevance for the registration of the GI.<sup>185</sup> There are no legal requirements which ensure that applicants for GIs for geographical areas located in the European Communities are always, or usually, EC nationals.<sup>186</sup> There is no reason why a foreign national cannot produce products in accordance with a product specification in a GI registration located in the European Communities, and there are examples of foreign companies which have invested in the European Communities in this way.<sup>187</sup> If an applicant or user sets up a legal entity in the geographical area, that is simply a practical consequence of the fact that products must be produced in accordance with product specifications.<sup>188</sup> Nationality is determined by the laws of each State and is not simply a matter of domicile or establishment, which is highlighted by the specific rules in Article 3 of the Paris Convention (1967) and footnote 1 to the TRIPS Agreement which would otherwise be unnecessary.<sup>189</sup> The European Communities is not a "separate customs territory" within the meaning of footnote 1 to the TRIPS Agreement.<sup>190</sup> The meaning of "interested parties" in Article 10(2) of the Paris Convention (1967) is inapplicable in Article 22 of the TRIPS Agreement.<sup>191</sup> Nationality is not linked to the points of attachment but must be given a uniform meaning for all intellectual property rights.<sup>192</sup> The Regulation does not require any comparison of nationals because it does not contain any discrimination on the basis of nationality.<sup>193</sup>

7.163 The European Communities argues that the existence of different procedures which apply according to location of geographical areas is not sufficient to show *less favourable treatment* but rather there must be a substantive difference between those provisions which entails less favourable treatment. A measure would have to modify the conditions regarding the protection of intellectual property rights within the meaning of the TRIPS Agreement to the detriment of foreign nationals.<sup>194</sup>

7.164 The European Communities argues that the jurisprudence on Article III:2 of GATT 1994 is not relevant to the present dispute because of differences between paragraphs 2 and 4 of Article III and between Article III and Article 3.1 of the TRIPS Agreement. There is no general concept of

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<sup>183</sup> European Communities' response to Panel question No. 111.

<sup>184</sup> European Communities' first written submission, paras. 123-126.

<sup>185</sup> European Communities' first oral statement, paras. 46-47; response to Panel question No. 106.

<sup>186</sup> European Communities' response to Panel question No. 22.

<sup>187</sup> European Communities' rebuttal submission, paras. 45-48; second oral statement, paras. 28-30; response to Panel question No. 106.

<sup>188</sup> European Communities' response to Panel question No. 107; second oral statement, paras. 29-30.

<sup>189</sup> European Communities' response to Panel question No. 23; rebuttal submission, paras. 37-40.

<sup>190</sup> European Communities' rebuttal submission, para. 35.

<sup>191</sup> European Communities' response to Panel question No. 24.

<sup>192</sup> European Communities' response to Panel question No. 26.

<sup>193</sup> European Communities' response to Panel question No. 101 and comments on that response.

<sup>194</sup> European Communities' second oral statement, paras. 39-41; response to Panel question No. 113.

discrimination common to all WTO agreements. There has never been a *de facto* application of Article 3.1 and the concept of conditions of competition is not easily transposable to the TRIPS Agreement. Whilst it may be possible under certain circumstances that measures which are neutral on their face accord less favourable treatment to nationals, the Panel should take account of the following: (1) the present case relates primarily to the origin of goods which is already dealt with more appropriately in the context of Article III:4 of GATT 1994, not the TRIPS Agreement; (2) *de facto* discrimination is a notion closely related to preventing circumvention of national treatment obligations, which does not exist when the specific issue is dealt with in other national treatment provisions, such as those of GATT; and (3) the national treatment provisions of GATT and the TRIPS Agreement should not systematically overlap. In addition, the TRIPS Agreement does not contain any provision corresponding to Article XX of GATT 1994 and it would not seem appropriate for a measure justified on the basis of Article XX to be found incompatible with the covered agreements on the basis of a *de facto* application of TRIPS national treatment.<sup>195</sup>

(ii) *Main arguments of third parties*

7.165 **Brazil** submits that the equivalence and reciprocity conditions in the Regulation are inconsistent with national treatment under Article 3.1 of the TRIPS Agreement. In most cases under the Regulation, discrimination according to geographical areas is discrimination between nationals.<sup>196</sup>

7.166 **Canada** submits that the equivalence and reciprocity conditions in the Regulation are inconsistent with national treatment under Articles 2.1 and 3.1 of the TRIPS Agreement. Discrimination on the basis of geographical area discriminates on the basis of nationality because of the "simple and incontestable" reality that EC nationals are likely to register for protection of GIs located in the European Communities and non-EC nationals are likely to register for protection of GIs located outside the European Communities. The explicit requirement that the physical production of a good that qualifies for a GI take place in the area indicated by the GI, means that an applicant for a GI located in the European Communities will, in all probability be a national of an EC member State. The treatment of "nationals" under the TRIPS Agreement extends *de jure* to geographical area.<sup>197</sup>

7.167 **China** considers that "nationals" within the meaning of the TRIPS Agreement includes natural persons who are domiciled, or legal persons who have a real and effective industrial and commercial establishment, in that Member.<sup>198</sup>

7.168 **Colombia** considers that any distinction that in any way identifies the GIs of the European Communities clearly entails a violation of national treatment obligations.<sup>199</sup>

7.169 **India** considers that the only valid interpretation of "treatment with regard to the protection" in Article 3.1 of the TRIPS Agreement is that no less favourable treatment to nationals of other WTO Members cannot be provided unless no less favourable treatment is also provided to the GIs for which they apply, whether located in the European Communities or in other WTO Members. The only available exceptions are found in Article 3.2.<sup>200</sup>

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<sup>195</sup> European Communities' response to Panel question No. 29; rebuttal submission, para. 49; second oral statement, paras. 33-37; response to Panel question No. 103.

<sup>196</sup> Annex C, paras. 23 and 34.

<sup>197</sup> Annex C, paras. 57-63.

<sup>198</sup> Annex C, para. 93.

<sup>199</sup> Annex C, para. 101.

<sup>200</sup> Annex C, para. 104.

7.170 **Mexico** considers that the equivalence and reciprocity conditions prevent nationals of other WTO Members enjoying the protection afforded by the Regulation, which is contrary to the national treatment principle in Article 3.1 of the TRIPS Agreement.<sup>201</sup>

7.171 **New Zealand** submits that the term "nationals" clearly has a geographical connotation in the context of the TRIPS Agreement. Article 3 of the Paris Convention (1967) sets out a criterion for eligibility for protection to which the definition of "nationals" in Article 1.3 of the TRIPS Agreement refers. Footnote 1 to Article 1.3 of the TRIPS Agreement provides further support. The definition of an applicant in the Regulation includes persons according to their location. The most favourable treatment accorded to EC nationals should be compared with that received by WTO Member nationals. "Less favourable treatment" requires not only a difference in applicable laws but some disadvantage as a result of that difference. At worst, the difference means that the benefits of registration are entirely unavailable. At best, it means that other WTO Member nationals are subject to "extra hurdles" and disadvantaged. As a result, they do not have the same opportunities to protect their GIs through registration as do EC nationals. The individual's right to apply for protection is conditioned on factors over which the applicant has no control. The advantages granted by registration include those under Article 13 and, according to the preamble, higher incomes.<sup>202</sup>

7.172 **Chinese Taipei** submits that the equivalence and reciprocity conditions violate the national treatment obligation in Article 3.1 of the TRIPS Agreement and Article 2(1) of the Paris Convention (1967). It recalls that national treatment under the TRIPS Agreement applies to "nationals" and that the European Communities compares EC nationals and non-EC nationals with GIs located in the European Communities. It treats them completely independently of EC nationals and non-EC nationals with GIs located outside the European Communities. This essentially is an argument that the European Communities can establish a separate set of rules for, and discriminate against, non-EC GIs as it wishes. Chinese Taipei submits that the Panel should examine whether any person, whether an EC or a non-EC national, with a GI, whether located in the European Communities or outside the European Communities, receives treatment less favourable than that accorded to an EC national with a GI located in the European Communities. Footnote 1 to the TRIPS Agreement applies to the European Communities as a separate customs territory.<sup>203</sup>

(iii) *Consideration by the Panel*

#### National treatment obligations in the TRIPS Agreement

7.173 These claims are made under two national treatment obligations: one found in Article 3 of the TRIPS Agreement, which forms part of the text of that agreement, and the other found elsewhere, in Article 2 of the Paris Convention (1967) as incorporated by Article 2.1 of the TRIPS Agreement. The Panel will first consider the claim under Article 3 of the TRIPS Agreement.

7.174 Article 3.1 of the TRIPS Agreement provides as follows:

"1. Each Member shall accord to the nationals of other Members treatment no less favourable than that it accords to its own nationals with regard to the protection of intellectual property, subject to the exceptions already provided in, respectively, the Paris Convention (1967), the Berne Convention (1971), the Rome Convention or the Treaty on Intellectual Property in Respect of Integrated Circuits. ..." [footnote 3 omitted]

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<sup>201</sup> Annex C, para. 110.

<sup>202</sup> Annex C, paras. 130-132.

<sup>203</sup> Annex C, paras. 168-172.

7.175 Two elements must be satisfied to establish an inconsistency with this obligation: (1) the measure at issue must apply with regard to the protection of intellectual property; and (2) the nationals of other Members must be accorded "less favourable" treatment than the Member's own nationals. The Panel will address each of these elements in turn. The parties do not agree on the meaning of "nationals" for the purposes of this claim. The Panel will therefore address that issue in the course of its consideration of the second element of this claim.

#### Protection of intellectual property

7.176 The national treatment obligation in Article 3 of the TRIPS Agreement applies "with regard to the protection of intellectual property". Footnote 3 provides an inclusive definition of the term "protection" as used in Articles 3 and 4. It reads as follows:

"For the purposes of Articles 3 and 4, 'protection' shall include matters affecting the availability, acquisition, scope, maintenance and enforcement of intellectual property rights as well as those matters affecting the use of intellectual property rights specifically addressed in this Agreement."

7.177 Article 1.2 explains the term "intellectual property":

"2. For the purposes of this Agreement, the term 'intellectual property' refers to all categories of intellectual property that are the subject of Sections 1 through 7 of Part II."

7.178 Turning to the Regulation, Article 12(1) refers to how the Regulation "may apply", which is a reference to the *availability* of intellectual property rights in relation to "designations of origin" and "geographical indications", as defined in the Regulation. It is not disputed that "designations of origin" and "geographical indications", as defined in the Regulation, fall within the category of "geographical indications", the subject of Section 3 of Part II, and therefore part of a category of intellectual property within the meaning of Article 1.2 of the TRIPS Agreement.

7.179 Therefore, this claim concerns the "protection" of intellectual property, as clarified in footnote 3 to the TRIPS Agreement, within the scope of the national treatment obligation in Article 3 of that Agreement.

7.180 It is not necessary to show that the Regulation implements the minimum standards in Part II of the TRIPS Agreement for the purposes of these claims. National treatment is required with regard to the protection of intellectual property, even where measures provide a higher level of protection.

#### Less favourable treatment accorded to the nationals of other Members

##### Less favourable treatment

7.181 The Panel now examines the second element of this claim which is whether the nationals of other Members are accorded less favourable treatment than the European Communities' own nationals. It is useful to recall that Article 3.1 of the TRIPS Agreement combines elements of national treatment both from pre-existing intellectual property agreements and GATT 1994.<sup>204</sup> Like the pre-existing intellectual property conventions, Article 3.1 applies to "nationals", not products. Like

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<sup>204</sup> Three of these national treatment obligations are incorporated in the TRIPS Agreement itself: Article 2 of the Paris Convention (1967), (considered below at paras. 7.250 and following) Article 5 of the Berne Convention (1971) and Article 5 of the IPIC Treaty, which are incorporated by Articles 2.1, 9.1 and 35 of the TRIPS Agreement, respectively.



GATT 1994, Article 3.1 refers to "no less favourable" treatment, not the advantages or rights that laws now grant or may hereafter grant, but it does not refer to likeness. This combination of elements is reflected in the preamble to the TRIPS Agreement which explains the purpose of the "basic principles" in Articles 3 and 4 (a term highlighted in the title of Part I) as follows:

"Recognizing, to this end, the need for new rules and disciplines concerning:

(a) the applicability of the basic principles of GATT 1994 and of relevant international intellectual property agreements or conventions;"

7.182 The "no less favourable" treatment standard set out in the first sentence of Article 3.1 of the TRIPS Agreement is subject to certain specific exceptions, some of them found in the pre-existing intellectual property conventions. None of the exceptions in Article 3.1 and 3.2 are relevant to this dispute.<sup>205</sup> Where these exceptions and limitations do not apply, the language of the basic obligation in the first sentence of Article 3 is very broad, referring to treatment that is "no less favourable".

7.183 We recall that the Panel in *US – Section 211 Appropriations Act*, in a finding with which the Appellate Body agreed<sup>206</sup>, found that the appropriate standard of examination under Article 3.1 of the TRIPS Agreement is that enunciated by the GATT Panel in *US – Section 337*. That GATT Panel made the following findings on the "no less favourable" treatment standard under Article III:4 of GATT 1947:

"The words 'treatment no less favourable' in paragraph 4 call for effective equality of opportunities for imported products in respect of the application of laws, regulations and requirements affecting the internal sale, offering for sale, purchase, transportation, distribution or use of products. This clearly sets a minimum permissible standard as a basis."<sup>207</sup>

7.184 Therefore, the Panel will examine whether the difference in treatment affects the "effective equality of opportunities" between the nationals of other Members and the European Communities' own nationals with regard to the "protection" of intellectual property rights, to the detriment of nationals of other Members.

7.185 The interpretation of the "no less favourable" treatment standard under other covered agreements may be relevant in interpreting Article 3.1 of the TRIPS Agreement, taking account of its context in each agreement including, in particular, any differences arising from its application to like products or like services and service suppliers, rather than to nationals.<sup>208</sup>

7.186 Under Article III:4 of GATT 1994, the Appellate Body in *US – FSC (Article 21.5 – EC)* has explained its approach to the examination of whether measures affecting the internal sale of *products* accord "treatment no less favourable" as follows:

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<sup>205</sup> Article 24.9 also provides that there shall be no obligation under this Agreement to protect GIs which are not or cease to be protected in their country of origin or which have fallen into disuse in that country.

<sup>206</sup> See the Panel report on *US – Section 211 Appropriations Act*, at paras. 8.131-8.133, the Appellate Body report, at para. 258. The Appellate Body has also assessed "no less favourable" treatment in the context of trade in goods under Article III:4 of GATT 1994 in terms of whether the measure modifies conditions of competition: see its report in *Korea – Various Measures on Beef*, paras. 137 and 144

<sup>207</sup> GATT Panel report on *US – Section 337*, para. 5.11.

<sup>208</sup> In *US – Section 211 Appropriations Act*, the Panel considered that the jurisprudence on Article III:4 of GATT 1994 may be useful in interpreting Article 3.1 of the TRIPS Agreement due to the similarity of their language: see the Panel report at para. 8.129; Appellate Body report at para. 242.

"The examination of whether a measure involves 'less favourable treatment' of imported products within the meaning of Article III:4 of the GATT 1994 must be grounded in close scrutiny of the 'fundamental thrust and effect of the measure itself'. This examination cannot rest on simple assertion, but must be founded on a careful analysis of the contested measure and of its implications in the marketplace. At the same time, however, the examination need not be based on the *actual effects* of the contested measure in the marketplace."<sup>209</sup>

7.187 Similarly, in the present dispute, the Panel considers it appropriate to base its examination under Article 3.1 of the TRIPS Agreement on the fundamental thrust and effect of the Regulation, including an analysis of its terms and its practical implications. However, as far as the TRIPS Agreement is concerned, the relevant practical implications are those on opportunities with regard to the protection of intellectual property. The implications in the marketplace for the agricultural products and foodstuffs in respect of which GIs may be protected are relevant to the examination under Article III:4 of GATT 1994, considered later in this report.

7.188 The parties disagree on whether the equivalence and reciprocity conditions in Article 12(1) of the Regulation apply to GIs located in other WTO Members outside the European Communities. The Panel recalls its finding at paragraph 7.152 that they do so apply.

7.189 Although the parties disagree on whether the equivalence and reciprocity conditions in Article 12(1) of the Regulation discriminate in a manner inconsistent with the covered agreements, it is not disputed that those conditions accord less favourable treatment to persons with interests in the *GIs* to which those conditions apply.<sup>210</sup> The Panel considers that those conditions modify the effective equality of opportunities to obtain protection with respect to intellectual property in two ways. First, GI protection is not available under the Regulation in respect of geographical areas located in third countries which the Commission has not recognized under Article 12(3). The European Communities confirms that the Commission has not recognized any third countries. Second, GI protection under the Regulation may become available if the third country in which the GI is located enters into an international agreement or satisfies the conditions in Article 12(1). Both of those requirements represent a significant "extra hurdle" in obtaining protection that does not apply to geographical areas located in the European Communities.<sup>211</sup> The significance of the hurdle is reflected in the fact that currently no third country has entered into such an agreement or satisfied those conditions.

7.190 Accordingly, the Panel finds that the equivalence and reciprocity conditions modify the effective equality of opportunities with respect to the availability of protection to persons who wish to obtain GI protection under the Regulation, to the detriment of those who wish to obtain protection in respect of geographical areas located in third countries, including WTO Members. This is less favourable treatment.

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<sup>209</sup> Appellate Body Report, *US – FSC (Article 21.5 – EC)*, para. 215, quoting reports in *Korea – Various Measures on Beef*, para. 142, and *Japan – Alcoholic Beverages II*, at 110.

<sup>210</sup> Australia's first written submission, paras. 196, 199 and 206. Note that the European Communities asserts only that the product specifications and inspection regimes for individual GIs do not constitute less favourable treatment. With respect to the equivalence and reciprocity conditions, it asserts that it does not apply them and that they do not depend on nationality, but *not* that they do not accord less favourable treatment where they apply: see its first written submission, paras. 62-69 and 113-126. It also concedes that they constitute less favourable treatment for the purposes of Article III:4 of GATT 1994, but does not consider that the meaning of the phrase is necessarily the same as in Article 3.1 of the TRIPS Agreement: see its responses to Panel questions Nos. 94(a) and 113.

<sup>211</sup> This was also the approach of the Appellate Body in *US – Section 211 Appropriations Act* to an "extra hurdle" imposed only on foreign nationals: see para. 268 of its report.

### Nationals of other Members

7.191 The issue for the Panel is how the less favourable treatment accorded under the Regulation with respect to the availability of protection affects the treatment accorded to the nationals of other Members and that accorded to the European Communities' own nationals for the purposes of Article 3.1 of the TRIPS Agreement. Article 1.3 defines "nationals of other Members" in order to determine the persons to whom Members shall accord treatment, which includes national treatment.<sup>212</sup> It provides as follows:

"3. Members shall accord the treatment provided for in this Agreement to the nationals of other Members. In respect of the relevant intellectual property right, the nationals of other Members shall be understood as those natural or legal persons that would meet the criteria for eligibility for protection provided for in the Paris Convention (1967), the Berne Convention (1971), the Rome Convention and the Treaty on Intellectual Property in Respect of Integrated Circuits, were all Members of the WTO members of those conventions. (...)" [footnote 1 omitted]

7.192 In respect of the intellectual property rights relevant to this dispute, it is not disputed that the criteria for eligibility for protection that apply are those found in the Paris Convention (1967). Articles 2 and 3 of the Paris Convention (1967) provide how nationals and persons assimilated to nationals are to be treated. In the Panel's view, these are "criteria for eligibility for protection" for the purposes of the TRIPS Agreement.<sup>213</sup>

7.193 Articles 2 and 3 of the Paris Convention (1967) refer to "nationals" without defining that term. Article 3 of the Paris Convention (1967) provides for the assimilation of certain persons to nationals as follows:

"Nationals of countries outside the Union who are domiciled or who have real and effective industrial or commercial establishments in the territory of one of the countries of the Union shall be treated in the same manner as nationals of the countries of the Union."

7.194 The rule in Article 3 of the Paris Convention (1967) only applies to nationals of countries *outside the Paris Union*. According to Article 1.3 of the TRIPS Agreement, these criteria shall be understood as if "all Members of the WTO" were members of that Convention. Therefore, for the purposes of the TRIPS Agreement, that rule of assimilation only applies to persons that are nationals of a country *that is not a WTO Member*. It does not apply to nationals of other WTO Members, such as Australia. Therefore, it does not mean that all persons who have a domicile or a real and effective industrial and commercial establishment in a WTO Member are necessarily nationals of that WTO Member for the purposes of the TRIPS Agreement.

7.195 Otherwise, the Paris Convention (1967) contains no common rules on the meaning of "nationals". It can be noted that the original Paris Convention of 1883 appeared to use the term "subjects and citizens" and "nationals" interchangeably. The phrase "subjects and citizens" was

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<sup>212</sup> This can be contrasted with the detailed definitions in Article XXVIII of GATS of "natural person of another Member", "juridical person of another Member", "juridical person" and a juridical person "owned" or "controlled" by persons of a Member or "affiliated" with another person.

<sup>213</sup> Article 1.3 of the TRIPS Agreement also refers to the criteria for eligibility for protection in the Berne Convention (1971). It can be observed that the title inserted to facilitate identification of Article 3 of the Berne Convention (1971) which concerns authors who are nationals or assimilated to nationals, also refers to "Criteria of Eligibility for Protection". This is consistent with the Panel's view of the criteria in the Paris Convention (1967) for the purposes of the TRIPS Agreement.

replaced with "nationals" in Articles 2 and 3 in the Hague Act of 1925 without, apparently, changing the scope of the Convention.<sup>214</sup>

7.196 A leading commentator on the Paris Convention (1967) explains the practice under that Convention as follows:

"With respect to *natural* persons, nationality is a quality accorded or withdrawn by the legislation of the State whose nationality is claimed. Therefore, it is only the legislation of that State which can define the said nationality and which must be applied also in other countries where it is invoked.

"With respect to *legal* persons, the question is more complicated because generally no 'nationality' as such is granted to legal persons by existing legislations. Where these legal persons are the State themselves, or State enterprises, or other bodies of *public status*, it would be logical to accord to them the nationality of their country. With regard to corporate bodies of *private status*, such as companies and associations, the authorities of the countries where application of the Convention is sought will have to decide on the criterion of 'nationality' which they will employ. This 'nationality' can be made dependent upon the law according to which these legal persons have been constituted, or upon the law of their actual headquarters, or even on other criteria. Such law will also decide whether a legal person or entity really exists." [original footnote omitted]<sup>215</sup>

7.197 This is consistent with the position under public international law.<sup>216</sup> With respect to the meaning of "nationals of other Members" for the purposes of the TRIPS Agreement, WTO Members have, through Article 1.3 of the TRIPS Agreement, incorporated the meaning of "nationals" as it was understood in the Paris Convention (1967) and under public international law. With respect to natural persons, they refer first to the law of the Member of which nationality is claimed.<sup>217</sup> With respect to legal persons, each Member first applies its own criteria to determine nationality.

7.198 The meaning of "nationals" under public international law is also relevant to the meaning of a Member's "own nationals". Whilst the TRIPS Agreement does not create obligations for a Member to accord treatment to its own nationals, it does refer to the treatment that each Member accords to its own nationals as the benchmark for its obligation to accord national treatment under Article 3.1, as well as the other national treatment obligations incorporated by reference, including Article 2 of the Paris Convention (1967). To that extent, the way in which a Member defines its own nationals can

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<sup>214</sup> Article 2 originally provided that "subjects and citizens" will enjoy the advantages granted to "nationals". As early as 1897, the Chair of the Brussels Diplomatic Conference commented that, in practice, the rights conferred on physical persons must belong equally to juridical persons and it seemed to be unanimously recognized that this was the scope of the Convention, see *Actes de Paris*, 1897, 3<sup>rd</sup> session, p. 196. "Subjects and citizens" was replaced with the word "nationals" at the 1925 Hague Diplomatic Conference because, in its brevity, it was considered more comprehensive, and was consistent with the terminology of the Convention: see *Actes de Paris*, 1925, report of drafting committee, p. 538.

<sup>215</sup> See Bodenhausen *supra* at 79, pp. 27-28.

<sup>216</sup> See, for example, A.A. Fatouros, "National Legal Persons in International Law" in R. Bernhardt (ed.), *Encyclopedia of Public International Law*, Volume III (1997) pp. 495-501; and I. Brownlie, *Principles of Public International Law* (5<sup>th</sup> edition, Oxford, 1998), p. 426, submitted to the Panel by the European Communities in Exhibits EC-88 and EC-115, respectively.

<sup>217</sup> With respect to natural persons, the Panel also notes that a State may not be bound to recognize a grant of nationality if it does not represent a genuine connection between the natural person and the State granting the nationality: see the judgement of the International Court of Justice in the *Nottenbohm case (Liechtenstein v Guatemala)* (second phase), ICJ Reports (1955), 4.

also be subject to review for the purposes of determining conformity with its national treatment obligations under the TRIPS Agreement.

7.199 The European Communities has explained to the Panel that, with respect to natural persons, under the domestic law of the European Communities, any person who is a national of an EC member State is a citizen of the European Union and, accordingly, an EC national.<sup>218</sup> It has explained that, with respect to legal persons, the domestic law of the European Communities does not contain a specific definition of nationality, but nor does the domestic law of many other WTO Members.<sup>219</sup> However, the European Communities informs the Panel that any legal person considered a national under the laws of an EC member State would also be an EC national. The criteria used by the EC member States to determine the nationality of a legal person may vary and include criteria such as the place of incorporation and the place of the seat of the company or a combination of such criteria.<sup>220</sup>

7.200 Australia has not challenged the criteria used by the European Communities to determine nationality. The Panel notes that these criteria appear to be the same as those used in public international law.<sup>221</sup> Therefore, the Panel can use them to determine which persons are "nationals" under Article 3.1 of the TRIPS Agreement.

7.201 Australia has referred to the specific definition of "nationals" in footnote 1 to the TRIPS Agreement.<sup>222</sup> The Panel notes that that specific definition only applies in the case of a separate customs territory Member of the WTO. The European Communities submits that it is not such a Member and Australia does not assert that it is.<sup>223</sup> Therefore, the Panel does not consider this specific definition further.

7.202 Australia also refers to Article 10(2) of the Paris Convention (1967) which sets out persons who shall be deemed an "interested party" for the purposes of an obligation related to certain false indications. Article 10(2) refers *inter alia* to establishment in the locality or country falsely indicated.

7.203 The Panel accepts that an "interested party" is a person who is entitled to receive protection under Articles 22 and 23 of the TRIPS Agreement. Article 10(2) is a deeming provision for the term "interested party" used in Article 9(3) of the Paris Convention (1967), as made applicable under Article 10(1). Once a person has qualified as a national, Article 10(2) may provide guidance on whether that person may be treated as an interested party for the purposes of Articles 22 and 23 of the TRIPS Agreement. However, Article 10(2) does not set out a criterion for eligibility for protection under the Paris Convention (1967) for the purposes of Article 1.3 of the TRIPS Agreement.

7.204 Therefore, the Panel finds no specific definition of "nationals" applicable in this dispute and confirms its finding at paragraph 7.200 as to the criteria that can be used to determine which persons are "nationals" for the purposes of Article 3.1 of the TRIPS Agreement, for the purposes of this dispute.

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<sup>218</sup> Article 8 of the EC Treaty.

<sup>219</sup> Article 58 of the EC Treaty provides that companies or firms formed in accordance with the law of an EC member State and having their registered office, central administration or principal place of business within the European Community shall, for the purposes of Chapter 2 of the EC Treaty on the right of establishment, be treated in the same way as natural persons who are nationals of EC member States.

<sup>220</sup> European Communities' response to Panel question No. 105. It also referred to a criterion based on the nationality of controlling shareholders, but the evidence in support does not appear to indicate that this is of relevance to corporate nationality under the TRIPS Agreement.

<sup>221</sup> *Supra* at 216.

<sup>222</sup> Australia's response to Panel question No. 23.

<sup>223</sup> Australia's response to Panel question No. 104.

7.205 Turning to the Regulation, it is agreed that it does not, on its face, refer to "nationals". It refers to the location of geographical areas, or GIs. In theory, there may be foreign citizens or corporations who are entitled to use GIs located in the European Communities and obtain protection under the Regulation. The issue for the Panel is to determine the treatment accorded to the nationals of other Members and that accorded to the European Communities' own nationals, when such treatment depends on the location of GIs.

#### Formally identical provisions

7.206 On its face, the Regulation contains formally identical provisions vis-à-vis the nationals of different Members, with respect to the availability of GI protection.

7.207 It is well recognized that the concept of "no less favourable" treatment under Article III:4 of GATT 1994 is sufficiently broad to include situations where the application of formally identical legal provisions would in practice accord less favourable treatment. The GATT Panel in *US – Section 337*, which considered an intellectual property enforcement measure prior to the conclusion of the TRIPS Agreement, interpreted the "no less favourable" standard under Article III:4 as follows:

"On the one hand, contracting parties may apply to imported products different formal legal requirements if doing so would accord imported products more favourable treatment. On the other hand, it also has to be recognised that there may be cases where application of formally identical legal provisions would in practice accord less favourable treatment to imported products and a contracting party might thus have to apply different legal provisions to imported products to ensure that the treatment accorded them is in fact no less favourable."<sup>224</sup>

7.208 The Appellate Body in *Korea – Various Measures on Beef*, in a dispute concerning formally different treatment, quoted this passage and drew the conclusion that "[a] formal difference in treatment between imported and like domestic products is thus neither necessary, nor sufficient, to show a violation of Article III:4".<sup>225</sup> It then proceeded to apply the relevant standard of examination.

7.209 The Panel in *Canada – Pharmaceutical Patents* also considered that claims against both formal and practical discrimination are possible under the TRIPS Agreement, although that dispute concerned minimum standards of protection in Part II and not the basic principles in Part I.<sup>226</sup>

7.210 We consider that this reasoning applies with equal force to the no less favourable treatment standard in Article 3.1 of the TRIPS Agreement. In our view, even if the provisions of the Regulation are formally identical in the treatment that they accord to the nationals of other Members and to the European Communities' own nationals, this is not sufficient to demonstrate that there is no violation of Article 3.1 of the TRIPS Agreement. Whether or not the Regulation accords less favourable treatment to the nationals of other Members than it accords to the European Communities' own nationals should be examined instead according to the standard we set out at paragraph 7.184, namely, the "effective equality of opportunities" with regard to the protection of intellectual property rights. In this examination, we will follow the approach that we set out at paragraph 7.187, which focuses on the "fundamental thrust and effect" of the Regulation.

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<sup>224</sup> GATT Panel report on *US – Section 337*, para. 5.11.

<sup>225</sup> Appellate Body report on *Korea – Various Measures on Beef*, para. 137. This view is also consistent with the findings of the Appellate Body in its report on *EC – Bananas III* with respect to the phrase "treatment no less favourable" as used in the MFN obligation in relation to trade in services in Article II of GATS, at para. 233.

<sup>226</sup> Panel report on *Canada – Pharmaceutical Patents*, at paras. 7.100-7.105.

Which nationals to compare?

7.211 The text of Article 3.1 expressly calls for a comparison when it provides that "[e]ach Member shall accord to the nationals of other Members treatment no *less* favourable *than* that it accords to its own nationals" (emphasis added). The question arises as to which nationals it is appropriate to compare.

7.212 The Panel finds that the following graphic, based on one set out in Chinese Taipei's third party submission, provides a useful framework for its analysis of this issue.

1. EC national with GI located in the EC	3. EC national with GI located outside the EC
2. Non-EC national with GI located in the EC	4. Non-EC national with GI located outside the EC

Graphic 1

7.213 The graphic depicts the four relevant possible combinations of nationality of persons and the location of a GI, each in a separate numbered quadrant. In terms of this graphic, the Panel's conclusion at paragraph 7.152 is that the conditions of reciprocity and equivalence in Article 12(1) of the Regulation apply to the persons in quadrants 3 and 4 only. There is therefore discrimination between the persons in quadrants 1 and 2, on the one hand, and those in quadrants 3 and 4, on the other hand.

7.214 Australia submits that the Panel should compare the treatment of a hypothetical EC national with a GI located in the European Communities, and the treatment of a hypothetical non-EC national with a GI located outside the European Communities. This is a comparison of a person in quadrant 1 with a person in quadrant 4 in the graphic.

7.215 The Panel recalls that the Regulation contains formally identical provisions vis-à-vis the nationals of different Members. In the absence of less favourable treatment based on a formal criterion of nationality, or a criterion that fully corresponds with nationality, the Panel is reluctant to compare a hypothetical national of one Member with a national of another Member simply because they both claim rights to the same category of intellectual property. This is a very low threshold with possibly unforeseen systemic implications for all intellectual property rights covered by the TRIPS Agreement.

7.216 Australia also submits that there is discrimination according to nationality on the basis of a comparison of the group of the European Communities' own nationals who wish to obtain GI protection under the Regulation, with the group of nationals of other WTO Members who wish to obtain GI protection under the Regulation. This is a comparison of the persons in both quadrants 1 and 3 with the persons in both quadrants 2 and 4, in the graphic.

7.217 The Panel recalls that the standard of examination is based on "effective equality of opportunities". It follows that the nationals that are relevant to an examination under Article 3.1 of the TRIPS Agreement should be those who seek opportunities with respect to the same type of

intellectual property in comparable situations.<sup>227</sup> On the one hand, this excludes a comparison of opportunities for nationals with respect to different categories of intellectual property, such as GIs and copyright. On the other hand, no reason has been advanced as to why the equality of opportunities should be limited *a priori* to rights with a territorial link to a particular Member.<sup>228</sup>

7.218 The Panel therefore considers it appropriate for the purposes of this claim to compare the effective equality of opportunities for the group of nationals of other Members who may wish to seek GI protection under the Regulation and the group of the European Communities' own nationals who may wish to seek GI protection under the Regulation. On this approach, there is no need to make a factual assumption that every person who wishes to obtain protection for a GI in a particular Member is a national of that Member.<sup>229</sup>

7.219 The European Communities disagrees with this approach. It argues that the concept of *de facto* discrimination should be limited to cases of circumvention of obligations, which is unnecessary in this dispute because of the applicability of the national treatment obligation under GATT 1994.<sup>230</sup>

7.220 The Panel is mindful of the need to ensure a harmonious interpretation of the national treatment obligation within the TRIPS Agreement itself as applied to different intellectual property rights. The fact that circumvention of that obligation may be prevented, uniquely, under GATT 1994 in certain cases concerning geographical indications, does not justify a different interpretation of Article 3.1 of the TRIPS Agreement from that which would be applicable to all other intellectual property rights, which do not have an inherent link to the territorial origin of a product. The Panel's interpretation preserves internal coherence in the interpretation of national treatment under the TRIPS Agreement.

Comparison of treatment accorded to the nationals of other Members and that accorded to the European Communities' own nationals

7.221 Articles 5 through 7 of the Regulation set out a registration procedure for GIs that refer to a geographical area located within the territory of the European Communities.<sup>231</sup> Articles 12a and 12b

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<sup>227</sup> The Appellate Body in *EC – Asbestos* adopted an analogous approach to the term "like" products in Article III:4 of GATT 1994, which it interpreted in terms of the competitive relationship between products: see its report at para. 99.

<sup>228</sup> See the European Communities' responses to Panel questions Nos. 25, 101 and 103.

<sup>229</sup> The Panel notes that its approach based on the respective treatment accorded to groups (of nationals) is consistent with an approach based on the respective treatment accorded to groups (of products) contemplated by the Appellate Body in *EC – Asbestos*, in the context of the national treatment obligation in Article III:4 of GATT 1994:

"... A complaining Member must still establish that the measure accords to the group of 'like' *imported* products 'less favourable treatment' than it accords to the group of 'like' *domestic* products. The term 'less favourable treatment' expresses the general principle, in Article III:1, that internal regulations 'should not be applied ... so as to afford protection to domestic production'. If there is 'less favourable treatment' of the group of 'like' imported products, there is, conversely, 'protection' of the group of 'like' domestic products. However, a Member may draw distinctions between products which have been found to be 'like', without, for this reason alone, according to the group of 'like' *imported* products 'less favourable treatment' than that accorded to the group of 'like' *domestic* products. ..." at para. 100.

<sup>230</sup> European Communities' rebuttal submission, para. 49; response to Panel question No. 29.

<sup>231</sup> This is reflected in the fact that under Article 5(4) an application under the procedures set out in Articles 5 through 7 shall be sent to the EC member State in which the geographical area is located but under Article 12a(1) an application under the procedures set out in Articles 12a and 12b shall be sent to the authorities in the country in which the geographical area is located. This was confirmed by the European Communities in its response to Panel question No. 2.



set out a registration procedure for GIs that refers to a geographical area located in third countries, including WTO Members. The conditions in Article 12(1) only apply to the latter procedures and, hence, only to GIs that refer to geographical areas located in third countries.

7.222 There is a link between the location of a geographical area to which a GI refers and certain persons. Article 5(1) and 5(2) provides that the following persons may apply for registration of a GI:

1. Only a group or, subject to certain conditions to be laid down in accordance with the procedure provided for in Article 15<sup>232</sup>, a natural or legal person, shall be entitled to apply for registration.

For the purposes of this Article, 'Group' means any association, irrespective of its legal form or composition, of producers and/or processors working with the same agricultural product or foodstuff. Other interested parties may participate in the group.

2. A group or a natural or legal person may apply for registration only in respect of agricultural products or foodstuffs which it produces or obtains within the meaning of Article 2(2)(a) or (b).

7.223 These definitions of applicants cross-refer to the definitions of designations of origin and geographical indications in the Regulation in Article 2(2)(a) and (b), which provide as follows:

"2. For the purposes of this Regulation:

- (a) *designation of origin*: means the name of a region, a specific place or, in exceptional cases, a country, used to describe an agricultural product or a foodstuff:
  - originating in that region, specific place or country, and
  - the quality or characteristics of which are essentially or exclusively due to a particular geographical environment with its inherent natural and human factors, and the production, processing and preparation of which take place in the defined geographical area;
- (b) *geographical indication*: means the name of a region, a specific place or, in exceptional cases, a country, used to describe an agricultural product or a foodstuff:
  - originating in that region, specific place or country, and
  - which possesses a specific quality, reputation or other characteristics attributable to that geographical origin and the production and/or processing and/or preparation of which take place in the defined geographical area."

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<sup>232</sup> The European Commission has laid down in Article 1 of Commission Regulation (EEC) No. 2037/93 that applications for registration pursuant to Article 5 of Regulation (EEC) No. 2081/92 may be submitted by a natural or legal person not complying with the definition in the second subparagraph of Article 5(1) in exceptional, duly substantiated cases where the person concerned is the only producer in the geographical area defined at the time the application is submitted.

7.224 Registration confers certain protection, but only agricultural products or foodstuffs that comply with a specification are eligible to "use" a registered GI. Article 4(2) sets out the minimum requirements which must be included in a product specification, which include *inter alia* "evidence that the agricultural product or the foodstuff originates in the geographical area", "a description of the method of obtaining the agricultural product or foodstuff and, if appropriate, the authentic and unvarying local methods" and "the details bearing out the link with the geographical environment or the geographical origin" (from items (d), (e) and (f), respectively). Any person, and not merely the applicant, that produces or obtains the products in accordance with the specification in the registration is entitled to use the GI.

7.225 These provisions create a link between persons, the territory of a particular Member, and the availability of protection. The definition of a "designation of origin" requires that the applicant and users must produce, process and prepare the products covered by a registration in the relevant geographical area, whilst the definition of a "geographical indication" requires that the applicant and users must carry out at least one, or some combination, of these three activities, in the geographical area, and must do so in accordance with a GI specification.

7.226 Accordingly, insofar as the Regulation discriminates with respect to the availability of protection between GIs located in the European Communities, on the one hand, and those located in third countries, including WTO Members, on the other hand, it formally discriminates between those persons who produce, process and/or prepare a product, in accordance with a specification, in the European Communities, on the one hand, and those persons who produce, process and/or prepare a product, in accordance with a specification, in third countries, including WTO Members, on the other hand.

7.227 The Panel recalls its finding in paragraph 7.218 that it is appropriate for the purposes of this dispute to compare the treatment accorded to the group of nationals of other Members who may wish to seek GI protection under the Regulation, and the group of the European Communities' own nationals who may wish to seek GI protection under the Regulation.

7.228 Australia argues that the reality is that persons with an interest in securing registration of the name of a geographical area as a GI under the Regulation will overwhelmingly be nationals of the WTO Member in which that geographical area is located.<sup>233</sup>

7.229 The European Communities does not deny this. It relies on the fact that the Regulation itself contains no legal obstacle to foreign nationals taking advantage of EC geographical indications and disputes that any person who is producing a product must *necessarily* have the nationality of the place where the product is produced.<sup>234</sup> However, in the Panel's view, that is not dispositive of the issue.

7.230 The Panel agrees that the vast majority of natural and legal persons who produce, process and/or prepare products according to a GI specification within the territory of a WTO Member party to this dispute will be nationals of that Member. The fact that there may be cases where such a person does not qualify as a national – and none has been brought to its attention – does not alter the fact that the distinction made by the Regulation on the basis of the location of a GI will operate in practice to discriminate between the group of nationals of other Members who wish to obtain GI protection, and the group of the European Communities' own nationals who wish to obtain GI protection, to the detriment of the nationals of other Members. This will not occur as a random outcome in a particular case but as a feature of the design and structure of the system. This design is evident in the Regulation's objective characteristics, in particular, the definitions of "designation of origin" and

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<sup>233</sup> Australia's rebuttal submission, para. 184 and response to Panel question No. 102. Brazil and Canada expressed the same view: see Annex C, paras. 24 and 47.

<sup>234</sup> European Communities' comment on US responses to Panel questions Nos. 102 and 103.

"geographical indication" and the requirements of the product specifications. The structure is evident in the different registration procedures.

7.231 Complete data on the persons who have actually availed themselves of protection under the Regulation is not available. Any person who produces and/or processes and/or prepares products according to the specifications in a GI registration is entitled to use the GI. Data on the persons who have applied for, and obtained, protection under the Regulation and their respective addresses is available but their nationality is not recorded. However, there is no clear evidence that even a single person who has applied for, or is entitled to use, a registered GI is not one of the European Communities' own nationals.

7.232 Whilst certain of the European Communities' own nationals may wish to obtain protection for GIs located outside the European Communities as well, it cannot seriously be contested that the GIs for which nationals of other WTO Members would wish to obtain protection are overwhelmingly located outside the European Communities.

7.233 The European Communities presented evidence intended to show that certain foreign nationals have actually obtained protection under the Regulation. The Panel notes that all its examples consist of a foreign national, or a corporation incorporated under the laws of an EC member State, that acquired another corporation incorporated under the laws of an EC member State, which produces products entitled to GI protection.<sup>235</sup> Those subsidiary corporations obtaining the benefit of protection appear to be the European Communities' own nationals, according to a place of incorporation test. Evidence is not available on the place of their company seat but such cases appear to be rare. This evidence confirms, rather than contradicts, the link between the treatment accorded to GIs located in the European Communities and EC nationality.

7.234 The text of the TRIPS Agreement contains a recognition that discrimination according to residence and establishment will be a close substitute for nationality. The criteria set out in footnote 1 to the TRIPS Agreement, which apply in the case of a separate customs territory Member of the WTO, are clearly intended to provide close substitute criteria to determine nationality where criteria to determine nationality as such are not available in a Member's domestic law. These criteria are "domicile" and "real and effective industrial or commercial establishment". They are taken from the criteria used for the assimilation of nationals in Article 3 of the Paris Convention (1967). It is clear that, in using these terms, the drafters of footnote 1 of the TRIPS Agreement chose terms that were already understood in this pre-existing intellectual property convention. Under Article 3 of the Paris Convention (1967), "domicile" is not generally understood to indicate a legal situation, but rather a more or less permanent residence of a natural person, and an actual headquarters of a legal person. A "real and effective industrial and commercial establishment" is intended to refer to all but a sham or ephemeral establishment.<sup>236</sup>

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<sup>235</sup> The evidence is as follows: Mr. Jens-Reidar Larsen, a Norwegian national, acquired a French cognac firm in 1928 – cognac is not a product covered by the Regulation at issue. Sara Lee Personal Products SpA, an Italian corporation under common control with Sara Lee Charcuterie SA, a French corporation, belonging to the Sara Lee group, acquired Al Ponte Prosciutto SRL, an Italian corporation; Kraft Foods Group, which has an Italian subsidiary, acquired the business of Giovanni Invernizzi, an Italian, and partly sold it to Lactalis, a French dairy company with an Italian subsidiary; Nestlé which sold Vismara, a salami firm, to an Italian company. The persons who acquired GI protection in these three examples may all be the European Communities' own nationals. The European Communities also refers to the website of a private beer label collector who disclaims accuracy but suggests that a Belgian company used to produce a beer with a German GI, possibly before the Regulation entered into force. The Panel considers this example unreliable. See Exhibits EC-36, EC-61, EC-62, EC-63 and EC-89.

<sup>236</sup> Bodenhausen, *supra* at 79, p. 33, citing Ladas, *The International Protection of Industrial Property*, pp. 187-188, and Roubier, *Le Droit de la propriété industrielle I*, pp. 268-269. This is confirmed by the Official

7.235 The object and purpose of the TRIPS Agreement depends on the obligation in Article 1.3 to accord the treatment provided for in the Agreement to the nationals of other Members, including national treatment under Article 3.1. That object and purpose would be severely undermined if a Member could avoid its obligations by simply according treatment to its own nationals on the basis of close substitute criteria, such as place of production, or establishment, and denying treatment to the nationals of other WTO Members who produce or are established in their own countries.

7.236 Further, the Panel recalls its finding at paragraph 7.218 that it is appropriate for the purposes of this claim under Article 3.1 to compare the effective equality of opportunities for the group of nationals of other Members who may wish to seek GI protection under the Regulation and the group of the European Communities' own nationals who may wish to seek GI protection under the Regulation. An objective assessment of that comparison cannot ignore the difference in treatment between quadrants 1 and 2 and quadrants 3 and 4 in the graphic set out earlier.

7.237 The Panel also notes that the close link between nationality, on the one hand, and residence and establishment, on the other, appears to be recognized in the Regulation itself. Article 12d of the Regulation accords a right of objection to persons, which the European Communities confirms is a reference to persons resident or established outside the European Communities, regardless of their nationality.<sup>237</sup> Yet the April 2003 amending Regulation, which inserted Article 12d, explained that it granted the right of objection to the *nationals* of other WTO Members.<sup>238</sup>

7.238 The European Communities argues that any difference in treatment of the nationals of other Members is not attributable to the Regulation. In its view, if a person sets up a legal entity in the area where the GI is located, "[i]t is simply a practical consequence of the fact that products have to be produced in accordance with the product specification, which may require that an important part of the production process takes place in the geographical area concerned." It argues that if, for practical considerations related for instance to taxation or labour law, a person producing in conformity with a product specification chooses to set up a legal entity in the area where the geographical area is located, this is not related to the Regulation.<sup>239</sup>

7.239 The Panel considers that this constitutes part of the fundamental thrust and effect of the Regulation, including its practical implications, and that therefore it must be taken into account in assessing whether the Regulation accords less favourable treatment. Whilst the Regulation does not prevent a foreign national from producing goods within the territory of the European Communities which would be entitled to use a GI, the implications of its design and structure on the opportunities for protection are such that its different procedures will operate to accord different treatment to the European Communities' own nationals and to the nationals of other Members, to the detriment of the nationals of other Members.<sup>240</sup>

7.240 Accordingly, the Panel's preliminary conclusion is that, with respect to the availability of protection, the treatment accorded to the group of nationals of other Members is different from, and less favourable than, that accorded to the European Communities' own nationals.

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Records of the Paris Convention provided to the Panel by the International Bureau of WIPO, and quoted in Bodenhausen, *ibid.*, p. 34.

<sup>237</sup> European Communities' first written submission, para. 142.

<sup>238</sup> See paragraph 10 of the recitals to the April 2003 amending Regulation, set out in para. 7.121.

<sup>239</sup> European Communities' response to Panel question No. 107.

<sup>240</sup> Article 8a of the EC Treaty provides that every citizen of the European Union shall have the right to move and reside freely within the territory of the EC member States. Article 52 (in conjunction with Article 58) provides for the progressive abolition of restrictions on the freedom of establishment of nationals of an EC member State. These provisions remove obstacles to persons who wish to produce products according to a GI specification within the territory of the European Communities, but apply to the European Communities' own nationals only.

## Defences based on systemic considerations

7.241 The European Communities argues that the interpretation of the national treatment obligations in the TRIPS Agreement and GATT 1994 should not lead to "systematic overlap" between them.

7.242 The Panel notes that the demonstration of less favourable treatment under each agreement remains a distinct exercise since national treatment under Article 3.1 of the TRIPS Agreement ensures effective equality of opportunities for nationals with regard to the protection of intellectual property rights, whereas national treatment under GATT 1994 ensures equality of conditions of competition between products.<sup>241</sup>

7.243 The European Communities also argues that one must take account of the absence in the TRIPS Agreement of a general exceptions provision analogous to Article XX of GATT 1994.

7.244 The Panel notes that there is no hierarchy between the TRIPS Agreement and GATT 1994, which appear in separate annexes to the WTO Agreement. The ordinary meaning of the texts of the TRIPS Agreement and GATT 1994, as well as Article II:2 of the WTO Agreement, taken together, indicates that obligations under the TRIPS Agreement and GATT 1994 can co-exist and that one does not override the other. This is analogous to the finding of the Panel in *Canada – Periodicals*, with which the Appellate Body agreed, concerning the respective scopes of GATS and GATT 1994.<sup>242</sup> Further, a "harmonious interpretation" does not require an interpretation of one that shadows the contours of the other. It is well established that the covered agreements apply cumulatively and that consistency with one does not necessarily imply consistency with them all.<sup>243</sup>

7.245 More specifically, the Panel notes that Article 8 of the TRIPS Agreement sets out the principles of that agreement. Article 8.1 provides as follows:

"1. Members may, in formulating or amending their laws and regulations, adopt measures necessary to protect public health and nutrition, and to promote the public interest in sectors of vital importance to their socio-economic and technological development, provided that such measures are consistent with the provisions of this Agreement."

7.246 These principles reflect the fact that the agreement does not generally provide for the grant of positive rights to exploit or use certain subject matter, but rather provides for the grant of negative rights to prevent certain acts. This fundamental feature of intellectual property protection inherently grants Members freedom to pursue legitimate public policy objectives since many measures to attain those public policy objectives lie outside the scope of intellectual property rights and do not require an exception under the TRIPS Agreement.

7.247 The scope of the national treatment obligation in Article 3.1 of the TRIPS Agreement also differs from that of the national treatment obligation in Article III:4 of GATT 1994, as it is subject to certain exceptions in Articles 3.1, 3.2 and 5, one of which is inspired by the language of Article XX of GATT 1994.<sup>244</sup> There is also a series of specific exceptions in the provisions relating to the minimum

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<sup>241</sup> See the Appellate Body report on *Korea – Various Measures on Beef*, paras. 137 and 144 and the GATT Panel report on *US – Section 337*, para. 5.11.

<sup>242</sup> Panel report on *Canada – Periodicals*, at para. 5.17; Appellate Body report on *Canada – Periodicals*, DSR 1997:I, 449, at 465.

<sup>243</sup> See, for example, the Appellate Body report on *Argentina – Footwear (EC)*, para. 81; and the Appellate Body report on *Korea – Dairy*, para. 74; and the Panel reports on *EC – Bananas III*, para. 7.160.

<sup>244</sup> Article 24.9 of the TRIPS Agreement also provides that there shall be no obligation under the TRIPS Agreement to protect geographical indications which are not or cease to be protected in their country of origin, or which have fallen into disuse in that country.

standards in Part II of the TRIPS Agreement and Part VII contains a provision on security exceptions analogous to Article XXI of GATT 1994, but none on general exceptions.

7.248 For all these reasons, in the Panel's view, the fact that a general exceptions provision analogous to Article XX of GATT 1994 was not included in the TRIPS Agreement has no impact on its analysis of Article 3.1.

#### Conclusion with respect to Article 3.1 of the TRIPS Agreement

7.249 Therefore, the Panel concludes that, with respect to the equivalence and reciprocity conditions, as applicable to the availability of GI protection, the Regulation accords treatment to the nationals of other Members less favourable than that it accords to the European Communities' own nationals, inconsistently with Article 3.1 of the TRIPS Agreement.

#### Article 2 of the Paris Convention (1967)

7.250 Australia also makes claims under the national treatment obligation set out in Article 2 of the Paris Convention (1967). These claims are made under paragraphs 1 and 2 of that article, which provide as follows:

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

(2) However, no requirement as to domicile or establishment in the country where protection is claimed may be imposed upon nationals of countries of the Union for the enjoyment of any industrial property rights.

7.251 The text refers to the "countries of the Union" for the purposes of identifying States which bear the obligation to accord national treatment under that provision. However, Article 2.1 of the TRIPS Agreement obliges WTO Members to comply with Articles 1 through 12, and Article 19, of that Convention.<sup>245</sup> Therefore, as a WTO Member, the European Communities owes obligations under Article 2 of the Paris Convention (1967), as incorporated by Article 2.1 of the TRIPS Agreement.

7.252 With respect to the claim under paragraph 1 of Article 2 of the Paris Convention (1967), as incorporated by Article 2.1 of the TRIPS Agreement, the Panel observes that, unlike Article 3.1 of the TRIPS Agreement, Article 2(1) of the Paris Convention (1967) refers to "the advantages that ... laws now grant, or may hereafter grant" and not to "no less favourable" treatment. Therefore, the Panel has not actually reached a conclusion on this claim. However, further findings on this claim would not provide any additional contribution to a positive solution to this dispute and are therefore unnecessary.

7.253 With respect to the claim under paragraph 2 of Article 2 of the Paris Convention (1967), as incorporated by Article 2.1 of the TRIPS Agreement, the Panel does not consider that the Regulation

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<sup>245</sup> The Appellate Body report on *US – Section 211 Appropriations Act* also notes that the obligations of countries of the Paris Union under the Paris Convention (1967) are also obligations of WTO Members by virtue of Article 2.1 of the TRIPS Agreement, para. 125.

contains a requirement of domicile or establishment.<sup>246</sup> We have found that the design and structure of the Regulation will operate to ensure that persons who use a protected GI, located in the European Communities, will have a domicile or establishment within the territory of the European Communities. We have also found that the availability of protection for GIs located in third countries, including WTO Members, is dependent on whether the third country in which the GI is located satisfies the conditions of equivalence or reciprocity or enters into an international agreement with the European Communities. It is irrelevant to the protection of a GI located in a third country whether or not the person who seeks protection has a domicile or establishment in the European Communities.

7.254 Therefore, the Panel concludes that, with respect to the availability of protection, the Regulation does not impose a requirement as to domicile or establishment inconsistently with Article 2(2) of the Paris Convention (1967), as incorporated by Article 2.1 of the TRIPS Agreement.

(c) National treatment under GATT 1994

(i) *Main arguments of the parties*

7.255 **Australia** claims the Regulation is inconsistent with Article III:4 of GATT 1994 because it imposes conditions of *reciprocity* and *equivalence* on the availability of protection. The agricultural products and foodstuffs from the European Communities and from third countries for which GIs may be registered under the Regulation are *like products* in the sense of Article III:4. The reciprocity condition in Article 12(1) of the Regulation refers to protection of "corresponding products" from the European Communities which encompasses, at least, *like products*.<sup>247</sup> It argues that the Regulation is a measure *affecting the internal sale and/or offering for sale* of imported products because imported products can only benefit from the Community-wide protection under the Regulation and/or the esteem purportedly attached where they are registered, and imported products may not bear a registered GI even if it is the common name for a product in the country of origin and/or in the course of trade.<sup>248</sup>

7.256 Australia argues that the Regulation accords *less favourable treatment* to imported products because it imposes distinct additional requirements of equivalence and reciprocity for registration to which domestic products are not subject. Those additional requirements significantly modify the conditions of competition for imported products because if another WTO Member is not willing and able to satisfy them, GIs from that Member are unable to be registered and protected for products imported from that Member into the EC market.<sup>249</sup>

7.257 The **European Communities** responds that the Regulation is fully compatible with Article III:4 of GATT 1994. It does not contest that products from the European Communities and from third countries falling under the scope of the Regulation may be *like products*, although it stresses that this alone does not preclude the European Communities from applying the conditions for registration to individual GIs.<sup>250</sup> It does not contest that the Regulation is a measure *affecting the internal sale* of products.<sup>251</sup>

7.258 The European Communities argues that the Regulation does not accord *less favourable treatment* to imported products because it does not apply the conditions in Article 12(1) to the

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<sup>246</sup> The Panel recalls its findings at para. 7.234 above on the meaning of those terms as understood under Article 3 of the Paris Convention (1967).

<sup>247</sup> Australia's first written submission, paras. 161-162 and 166-167.

<sup>248</sup> Australia's first written submission, para. 164.

<sup>249</sup> Australia's first written submission, paras. 168 and 179; response to Panel question No. 32.

<sup>250</sup> European Communities' first written submission, paras. 195-197.

<sup>251</sup> European Communities' first written submission, para. 194.

registration of GIs from other WTO Members.<sup>252</sup> It concedes that the application of those conditions would prejudice its obligations under Article III:4 of GATT 1994.<sup>253</sup>

(ii) *Main arguments of third parties*

7.259 **Brazil** argues the GATT- and WTO- underlying principle of national treatment would be completely voided of any meaning if it were made conditional on requirements of reciprocity and adoption of equivalent legislation.<sup>254</sup>

7.260 **China** argues that the different treatment accorded to GIs by the Regulation will amount to less favourable treatment if it is found to modify the conditions of competition under which like imported and EC products compete in the EC market to the disadvantage of imported products.<sup>255</sup>

7.261 **New Zealand** considers that the complainant has demonstrated all three elements constituting a violation of Article III:4 of GATT 1994. The only issue under debate is whether the Regulation confers "less favourable treatment" on imported products. As the same phrase is used in Article 3.1 of the TRIPS Agreement, all arguments raised in relation to that claim apply equally here.<sup>256</sup>

(iii) *Consideration by the Panel*

7.262 The Panel notes that the European Communities concedes that the conditions of equivalence and reciprocity in Article 12(1) of the Regulation, if applied to WTO Members, are inconsistent with Article III:4 of GATT 1994.<sup>257</sup> Given that the Panel has found that the Regulation "as such" imposes those conditions on the registration of GIs located in other WTO Members, there is no longer any defence before the Panel to the claim that, in this respect, the Regulation is inconsistent with Article III:4 of GATT 1994. It suffices to recall below that the essential elements of an inconsistency with Article III:4 are all met in this claim. These are that the imported and domestic products at issue are "like products"; that the measure at issue is a "law, regulation, or requirement affecting their internal sale, offering for sale, purchase, transportation, distribution, or use"; and that the imported products are accorded "less favourable" treatment than that accorded to like domestic products.<sup>258</sup>

7.263 The Regulation sets down requirements concerning the use of certain names in the presentation for sale of agricultural products and foodstuffs.<sup>259</sup> It is therefore a law or regulation affecting the internal sale and offering for sale of products within the meaning of Article III:4 of GATT 1994. This is not altered by the fact that the Regulation is also an intellectual property measure covered by the TRIPS Agreement since GATT 1994 and the TRIPS Agreement apply cumulatively.<sup>260</sup>

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<sup>252</sup> European Communities' first written submission, para. 203; rebuttal submission, para. 212.

<sup>253</sup> European Communities' response to Panel question No. 94.

<sup>254</sup> Annex C, para. 25.

<sup>255</sup> Annex C, para. 95.

<sup>256</sup> Annex C, para. 141.

<sup>257</sup> European Communities' response to Panel question No. 94(a).

<sup>258</sup> These three elements are also set out in the Appellate Body report on *Korea – Various Measures on Beef* at para. 133.

<sup>259</sup> Article 1(1) of the Regulation provides that it "lays down rules on the protection of designations of origin and geographical indications of agricultural products ... and of ... foodstuffs ..." and Commission Regulation (EEC) No. 2037/93 sets out detailed rules on the application of the Regulation with respect to use of the PDO and PGI logos in the promotion of products. (see Exhibit COMP-2). Article 13(1) of the Regulation sets out uses against which registered names are protected.

<sup>260</sup> The Panel recalls its comment on the order of analysis in para. 7.87 and its findings in para. 7.244, that there is no hierarchy between GATT 1994 and the TRIPS Agreement, which appear in separate annexes to



7.264 The Regulation links the protection of the name of a product to the territory of a particular country.<sup>261</sup> In the case of "designations of origin", as defined in Article 2 of the Regulation, this is the place of production, processing and preparation of the product and, in the case of "geographical indications", as defined in Article 2 of the Regulation, this is the place of production, processing and/or preparation. It is not disputed that in most cases these criteria are sufficient to confer origin on the products. Given that the Panel has found that the protection of names of products from other WTO Members is contingent on satisfaction of certain conditions of equivalence and reciprocity that do not apply to the names of products from the European Communities, the Regulation formally discriminates between imported products and products of European Communities origin within the meaning of Article III:4 of GATT 1994.

7.265 The Regulation applies to the names of a wide class of products described in Article 1(1), which refers to the large number of agricultural products intended for human consumption referred to in Annex 1 to the EC Treaty as well as 13 additional types of agricultural products and foodstuffs listed in the annexes to the Regulation. The European Communities does not contest that there are, among this group, "like products" among the imported products and products of European Communities origin. The European Communities and other WTO Members produce the same types of covered agricultural products and foodstuffs with GIs that may be eligible for protection. Article 13(1)(a) of the Regulation provides that protection is provided against use of a name in respect of products "comparable to the products registered under that name". It is axiomatic that one must compare apples with apples and oranges with oranges. In this dispute, it is not contested that Tasmanian apples may be like *pommes de Savoie*<sup>262</sup> and Florida citrus may be like *cítricos valencianos*<sup>263</sup> for the purposes of Article III:4 of GATT 1994.

7.266 In our analysis of the question of "less favourable treatment", we follow the approach of the Appellate Body in *Korea – Various Measures on Beef* and *US – FSC (Article 21.5 – EC)* that this standard should be assessed under Article III:4 of GATT 1994 by examining whether the measures at issue modify the conditions of competition between domestic and imported products in the relevant market to the detriment of imported products. This examination must closely scrutinize the "fundamental thrust and effect of the measure itself" founded on a careful analysis of the contested measure and of its implications in the marketplace.<sup>264</sup>

7.267 The Regulation provides in Article 13 that registered GIs shall be protected against certain commercial uses and other practices. Registration provides the legal means to prevent the sale and offering for sale of products, including competitive products, where they use, imitate or evoke a registered GI, which is a substantive advantage conferred on products that comply with the GI registration. Registration does not grant a right to exclude competition, or deny the possibility of sale without a registered GI but, where products, including competitive products, bear an indication that falls within the protection granted by registration, they may be removed from sale. This is a substantive advantage that affects the conditions of competition of the relevant products.

7.268 The declared purposes of the Regulation set out in its preamble include the following, which links GIs to demand for products:

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the WTO Agreement. Further, an intellectual property measure was the subject of conclusions under Article III:4 of GATT 1947 in the GATT Panel report on *US – Section 337*. The Panel does not consider that the conclusion of the TRIPS Agreement reduced the scope of application of GATT: see, on the same point with respect to GATS, the Appellate Body report on *Canada – Periodicals*, DSR 1997:I, 449, at 465.

<sup>261</sup> Exceptionally, it may extend across a border of more than one country, see Articles 5(5) and 12a(1) of the Regulation.

<sup>262</sup> Registered by Commission Regulation (EC) No. 1107/96, p. 13, Exhibit COMP-3a.

<sup>263</sup> Registered by Commission Regulation (EC) No. 865/2003, Exhibit COMP-4b.i.

<sup>264</sup> See the Appellate Body report on *Korea – Various Measures on Beef*, paras. 137 and 142; and also *US – FSC (Article 21.5 – EC)*, para. 215, quoted at para. 7.186 above.

"Whereas, moreover, it has been observed in recent years that consumers are tending to attach greater importance to the quality of foodstuffs rather than to quantity; whereas this quest for specific products generates a growing demand for agricultural products or foodstuffs with an identifiable geographical origin;"

7.269 Agricultural products and foodstuffs from the European Communities may obtain this advantage where they satisfy the eligibility criteria in the Regulation. Like products imported from WTO Members that the Commission has not decided meet the equivalence and reciprocity conditions in Article 12(1) of the Regulation – which is all of them – are not able to obtain that advantage and, hence, are accorded less favourable treatment. Products from WTO Members which can satisfy the equivalence and reciprocity conditions in Article 12(1) still face an "extra hurdle" in obtaining the advantage of registration since the Commission must decide that their country of origin meets those conditions – a step which is not required of like products from the European Communities. This is also less favourable treatment.

7.270 The European Communities does not contest that these are benefits of protection under the Regulation. It refers to the right to use the designation and logo under Article 8 and the possibility of excluding others from use of the GI under Article 13.<sup>265</sup>

7.271 The Panel also notes that there is the possibility that a WTO Member could conclude an international agreement with the European Communities for the protection of specific GIs for its agricultural products and foodstuffs. It is not in dispute that this possibility would provide less favourable treatment to imported agricultural products and foodstuffs than the procedure for the registration of GIs provides for agricultural products and foodstuffs from the European Communities.

7.272 Therefore, the Panel concludes that, with respect to the equivalence and reciprocity conditions, as applicable to the availability of protection, the Regulation accords less favourable treatment to imported products, inconsistently with Article III:4 of GATT 1994.<sup>266</sup>

7.273 The European Communities has not asserted that, with respect to the availability of protection, the Regulation is justified by Article XX(d) of GATT 1994.<sup>267</sup>

7.274 Australia argues that less favourable treatment is accorded by the European Communities' "inability to state clearly" what is required by Article 12 of the Regulation, or to state the decision-making criteria that would govern the assessments required to be made under Article 12 of the Regulation.<sup>268</sup> However, the Panel notes that, given the European Communities' defence that it did not apply the conditions in Article 12 to WTO Members, there was little discussion of what precisely is required by those conditions. In view of the Panel's conclusion, it is unnecessary to consider this issue further.

7.275 Australia also argues that the disadvantage accorded by the Regulation to imported products bearing a GI located in another Member is "cumulative", by reference to the equivalence and

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<sup>265</sup> European Communities' rebuttal submission, para. 118.

<sup>266</sup> This conclusion is without prejudice to the Panel's examination of the inspection structures required for registration, considered later in this report.

<sup>267</sup> See the European Communities' first written submission, paras. 224-225, in which it asserts Article XX(d) as a defence only in relation to Article 12a, in conjunction with Articles 4 and 10, of the Regulation. See also its rebuttal submission, paras. 228-242, and its second oral statement, paras. 132 and 135, in which it assert Article XX(d) as a defence only with respect to inspections, application procedures and the labelling requirement. Despite broader references to the Regulation in its first written submission, para. 190, and first oral statement, para. 73, the European Communities did not provide any specific arguments in defence of the equivalence and reciprocity conditions under Article XX(d).

<sup>268</sup> Australia's first written submission, para. 177.

reciprocity conditions, the application procedures, the regulatory committee (considered below) and the two factors in paragraph 7.274.<sup>269</sup> However, given that Australia did not elaborate on how the cumulative effect of these aspects of the Regulation allegedly accords less favourable treatment distinct from that accorded by each of them separately, the Panel does not consider it necessary to consider this issue further.

## 2. Application procedures

### (a) Description of application procedures under Articles 5 and 12a of the Regulation

7.276 The parties agree on the features of the application procedures under the Regulation. There are separate provisions setting out the procedures for applications for registration of GIs which apply according to the location of the GI.<sup>270</sup> Article 5 applies where it is located in an EC member State. Article 12a applies where the GI is located in a third country.

7.277 Article 5(4) and 5(5) provide, relevantly, as follows:

"4. The application shall be sent to the Member State in which the geographical area is located.

5. The Member State shall check that the application is justified and shall forward the application, including the product specification referred to in Article 4 and other documents on which it has based its decision, to the Commission, if it considers that it satisfies the requirements of this Regulation. [...]"

7.278 Article 12a(1) and 12a(2) provide, relevantly, as follows:

"1. In the case provided for in Article 12(3), if a group or a natural or legal person as referred to in Article 5(1) and (2) in a third country wishes to have a name registered under this Regulation it shall send a registration application to the authorities in the country in which the geographical area is located. [...]"

2. If the third country referred to in paragraph 1 deems the requirements of this Regulation to be satisfied it shall transmit the registration application to the Commission accompanied by:

(a) a description of the legal provisions and the usage on the basis of which the designation of origin or the geographical indication is protected or established in the country,

(b) a declaration that the structures provided for in Article 10 are established on its territory, and

(c) other documents on which it has based its assessment."

7.279 After an application is forwarded by an EC member State or a third country, Articles 6(1) and 12b(1) of the Regulation oblige the Commission to verify whether the registration application includes all the requisite particulars and satisfies the conditions for protection. There are differences

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<sup>269</sup> Australia's first written submission, para. 178; response to Panel question No. 32.

<sup>270</sup> For the sake of brevity, the Panel refers to a name that refers to a geographical area located in a Member as a GI located in that Member.

in the drafting of Articles 6(1) and 12b(1) which relate, respectively, to applications forwarded by EC member States and those transmitted by third countries which Australia has not put in issue.

(b) National treatment under the TRIPS Agreement

(i) *Main arguments of the parties*

7.280 **Australia** claims that the Regulation is inconsistent with Article 3.1 of the TRIPS Agreement and Article 2 of the Paris Convention (1967), as incorporated by Article 2.1 of the TRIPS Agreement, because non-EC nationals seeking to register a GI located in the territory of another WTO Member are not able to apply for registration directly to the European Communities – whether to the Commission or another Community-level body. Articles 12(3) and 12a of the Regulation, read together, require that another WTO Member in which the GI is located pre-approve every application.<sup>271</sup> The European Communities has an obligation to provide the means for intellectual property right holders to exercise their rights without intervention by another government.<sup>272</sup>

7.281 Australia argues that the legally defined rights and obligations between the European Communities and EC member States and EC member State nationals makes the registration process for EC nationals fundamentally different for non-EC nationals.<sup>273</sup> Australia adopts Canada's portrayal of the issues concerning the relationship between WTO Members, the European Communities, the EC member States and nationals. If the subject matter of this dispute lies within the exclusive competence of the European Communities, not EC member States, then any functions carried out by EC member States in implementing the Regulation are carried out as sub-national units of the European Communities. Any outward appearance of symmetry of treatment therefore masks a fundamentally different situation.<sup>274</sup> Australia would transmit an application for registration to the Commission if it became aware of one from within Australia, but it could not state positively that it could meet the equivalence and reciprocity conditions.<sup>275</sup>

7.282 Australia also claims that the Regulation imposes a requirement of establishment in the European Communities inconsistently with Article 2(2) of the Paris Convention (1967).<sup>276</sup>

7.283 The **European Communities** responds that this claim must fail. Its first defence is that the application procedures do not apply to nationality but according to the location of geographical areas. That defence has been considered above.

7.284 The European Communities argues that the application procedures do not accord *less favourable treatment* because the role of third country governments corresponds exactly to that of EC member States. The transmission of applications by governments in fact ensures equal treatment.<sup>277</sup> The authorities of third countries and EC member States are best placed to evaluate whether a GI fulfils the conditions for protection, which requires familiarity with a host of factors and may require knowledge of the market conditions in the country of origin. The evaluation of whether a GI is protected in the country of origin requires the implication of the authorities of the third country. Verification in a third country calls for respect for its sovereignty. Involvement of third country

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<sup>271</sup> Australia's first written submission, paras. 172 and 198; first oral statement, para. 34.

<sup>272</sup> Australia's response to Panel question No. 38.

<sup>273</sup> Australia's first written submission, para. 205; first oral statement, para. 34.

<sup>274</sup> Australia's rebuttal submission, paras. 174-176, citing Canada's third party oral statement; and Australia's second oral statement, para. 77.

<sup>275</sup> Australia's response to Panel question No. 38.

<sup>276</sup> Australia's first written submission, paras. 198 and 206.

<sup>277</sup> European Communities' first written submission, para. 130.

authorities facilitates cooperation during the registration process and should be of practical benefit to the applicant.<sup>278</sup>

7.285 The European Communities argues that the verification and transmission of an application are not overly burdensome for another WTO Member. Another WTO Member cannot invoke its own unwillingness to cooperate in the registration process in order to demonstrate a national treatment violation on the part of the EC.<sup>279</sup> There are many examples of international cooperation between governments in the protection of private rights including, in the field of intellectual property protection, such as the Madrid Protocol, the Lisbon Agreement and Article 6*quinquies*A(1) of the Paris Convention, and in the fields of certificates of origin, technical standards, conformity assessment, transport, fisheries and judicial cooperation. These examples illustrate that in an increasingly interdependent world, the effective protection of individual rights in cross-border situations inevitably engenders a need for cross-border cooperation.<sup>280</sup>

7.286 The European Communities does not want to impose obligations on third countries, but the protection of GIs located in the territory of third countries depends on their cooperation. This is partially mandated by the definition of a GI in Article 22.1 of the TRIPS Agreement, which requires verification of whether certain characteristics of a good are essentially attributable to its geographical origin. This is an obligation for all Members and should normally facilitate the examination of whether the name fulfils the criteria in the Regulation. The description of how a GI is protected in its country of origin reflects the provision in Article 24.9 of the TRIPS Agreement. Even where there is no specific registration system in the country of origin, that is still a TRIPS requirement for the European Communities and a matter of foreign law.<sup>281</sup> The transmission of the application by the same government is not a significant extra burden.<sup>282</sup>

(ii) *Main arguments of third parties*

7.287 **Argentina, Brazil, India, Mexico, New Zealand and Chinese Taipei** all inform the Panel that they are not aware of any person ever having attempted to file with their respective authorities an application for registration under the Regulation.<sup>283</sup>

7.288 **Argentina** expresses uncertainty regarding the consistency of the application procedures with the characterization of intellectual property rights under the TRIPS Agreement, in that they require States to manage the registration of a GI instead of right holders who are private persons.<sup>284</sup>

7.289 **Brazil** argues that the application procedures require WTO Members to "pre-approve" applications before they forward them to the European Commission, which is a striking violation of the national treatment obligation in Article 3.1 of the TRIPS Agreement for two reasons: (1) this is an additional procedure for other WTO Members; and (2) the approval process must be conducted according to EC law, not the law of the other WTO Member.<sup>285</sup>

7.290 **China** argues that the provisions on verification and publication do not afford clarity. The procedures for EC member States and third countries are in parallel but are not the same in substance. The provisions on verification by, and transmission to, the Commission differ between the procedures which suggests that third countries must satisfy more than an EC member State.

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<sup>278</sup> European Communities' response to Panel question No. 33; rebuttal submission, paras. 124-129.

<sup>279</sup> European Communities' first written submission, para. 131.

<sup>280</sup> European Communities' response to Panel question No. 37.

<sup>281</sup> European Communities' rebuttal submission, paras. 131-134; response to Panel question No. 114.

<sup>282</sup> European Communities' rebuttal submission, para. 139.

<sup>283</sup> See their respective responses in Annex C, paras. 18, 32, 103, 118, 160 and 179.

<sup>284</sup> Annex C, paras. 7-15.

<sup>285</sup> Annex C, para. 27.

7.291 **Colombia** expresses uncertainty as to whether the country of origin must in all cases provide a declaration under Article 12a(2) with a description of the legal provisions under which the GI is protected. This is, in practice, a condition which entails an evaluation of the system of GI protection in the country of origin contrary to Article 1.1 of the TRIPS Agreement.<sup>286</sup>

7.292 **Mexico** refers to cochineal as a practical example of the way in which Mexican producers would be required to go through specific procedures which EC nationals are not.<sup>287</sup>

7.293 **New Zealand** submits that, although the requirement to submit all applications through government applies equally to applications from EC member States and other WTO Member nationals, its effect is to disadvantage nationals from other WTO Members. EC nationals have an enforceable right that applications that satisfy the requirements of the Regulation are forwarded to the Commission. Submission of an application via an EC member State is essentially a formality. Other WTO Member nationals have no such enforceable right.<sup>288</sup>

(iii) *Consideration by the Panel*

7.294 These claims are made under the national treatment obligations in Article 3.1 of the TRIPS Agreement and Article 2 of the Paris Convention (1967), as incorporated by Article 2.1 of the TRIPS Agreement. The Panel will first consider the claim under Article 3.1 of the TRIPS Agreement.

7.295 The Panel recalls that two elements must be satisfied to establish an inconsistency with this obligation: (1) the measure at issue must apply with regard to the protection of intellectual property; and (2) the nationals of other Members must be accorded "less favourable" treatment than the Member's own nationals. The Panel will address each of these elements in turn.

Protection of intellectual property

7.296 This claim concerns procedures for filing and examination of applications for registration of "designations of origin" and "geographical indications", as defined in the Regulation. They are referred to in this report, for the sake of brevity, as "application procedures".

7.297 The Panel recalls that the national treatment obligation in Article 3 of the TRIPS Agreement applies to the treatment accorded by a Member "with regard to the protection of intellectual property". Footnote 3 provides an inclusive definition of the term "protection" as used in Articles 3 and 4. It reads as follows:

"For the purposes of Articles 3 and 4, 'protection' shall include matters affecting the availability, acquisition, scope, maintenance and enforcement of intellectual property rights as well as those matters affecting the use of intellectual property rights specifically addressed in this Agreement."

7.298 Turning to the Regulation, procedures for the filing and examination of applications for registration are matters affecting the *acquisition* of intellectual property rights in relation to "designations of origin and "geographical indications", as defined in the Regulation. It is not disputed that "designations of origin" and "geographical indications", as defined in the Regulation, are a subset of "geographical indications", the subject of Section 3 of Part II, and therefore part of a category of intellectual property within the meaning of Article 1.2 of the TRIPS Agreement.

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<sup>286</sup> Annex C, para. 99.

<sup>287</sup> Annex C, paras. 115-117.

<sup>288</sup> Annex C, paras. 136-137.

7.299 Therefore, this claim concerns the "protection" of intellectual property, as clarified in footnote 3 to the TRIPS Agreement, within the scope of the national treatment obligation in Article 3.1 of that Agreement.

Less favourable treatment accorded to the nationals of other Members

7.300 The Panel recalls its findings:

- (a) at paragraphs 7.221 to 7.239 as to the treatment accorded to the "nationals of other Members" under the Regulation by its treatment according to the location of GIs; and
- (b) at paragraph 7.184 that under Article 3.1 of the TRIPS Agreement we must examine the "effective equality of opportunities" with regard to the protection of intellectual property rights and, at paragraph 7.187 that in this examination we will focus on the "fundamental thrust and effect" of the Regulation.

7.301 The parties and third parties who responded to the Panel's question on this point all reported that they were not aware of any application for the registration of a name of an area located in a third country outside the European Communities ever having been filed with the authorities of a third country.<sup>289</sup> However, Australia challenges the Regulation, in this respect, "as such".

7.302 Australia claims that the treatment accorded under the application procedures in Article 12a(1) and (2) is less favourable treatment than that accorded under the applications procedures in Article 5(4) and (5). There is an apparent equivalence in the drafting of these provisions but the question is whether this would imply a modification of the effective equality of opportunities with regard to the protection of intellectual property.

7.303 The Panel notes that the initial steps in the application procedures can be broken down as follows.

- (a) as a first step, *all* applicants are required to submit their application to the authorities in the country in which the geographical area is located. These will be authorities of an EC member State or a third country, depending on the case;
- (b) as a second step, the authorities who receive an application consider whether the application is justified or satisfies the requirements of the Regulation. This involves a detailed examination of the application in accordance with the criteria in the European Communities' Regulation, not the domestic law of the country where the application is filed; and
- (c) as a third step, if the authorities who receive an application consider that the application is justified or satisfies the requirements of the Regulation, they forward or transmit it to the Commission. If the application concerns a geographical area located outside the European Communities, the authorities must also transmit a description of

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<sup>289</sup> However, the United States provided evidence from the Idaho Potato Commission that it could not obtain protection for its US certification mark in the European Union. Its attorneys in three EC member States had advised that there were no steps it could take to stop use of the term "Idaho" by other companies in Europe. The European Communities responds that this is based on a misperception of the content of the Regulation, that it does not contain evidence of an attempt to register a GI under the Regulation, and that it seems to relate more to the protection of trademarks than GIs: see its rebuttal submission, para. 85.

the protection of the GI in its country of origin, as well as a declaration concerning inspection structures.<sup>290</sup>

7.304 We recall the European Communities' explanation of its domestic constitutional arrangements, set out at paragraph 7.148, that Community laws are generally not executed through authorities at Community level but rather through recourse to the authorities of its member States which, in such a situation, "act *de facto* as organs of the Community, for which the Community would be responsible under WTO law and international law in general".<sup>291</sup> It follows that any application relating to a geographical area located in an EC member State is filed directly with a "*de facto* organ of the Community" which also carries out the initial examination. An application relating to a geographical area located in a third country cannot be filed directly, but must be filed with a foreign government. This is a formal difference in treatment.

7.305 Further, Article 5 of the Regulation provides for application procedures for GIs located in the European Communities. Paragraph 6 provides as follows:

"6. Member States shall introduce the laws, regulations and administrative provisions necessary to comply with this Article."

7.306 An EC member State has an obligation to establish application procedures for the purposes of the Regulation. Under Community law, an EC member State has an obligation to examine an application and decide whether it is justified and, if it is justified, to forward it to the Commission. A group or person who submits an application in an EC member State may enforce these obligations through recourse to judicial procedures based on the Regulation. In contrast, a third country government has no obligation under Community law or any other law to examine an application or to transmit it or any other document to the Commission. A group or person who submits an application in a third country has no right to such treatment.

7.307 Therefore, applicants for GIs that refer to geographical areas located in third countries do not have a right in the application procedures that is provided to applicants for GIs that refer to geographical areas located in the European Communities. Applicants in third countries face an "extra hurdle" in ensuring that the authorities in those countries carry out the functions reserved to them under the Regulation, which applicants in EC member States do not face. Consequently, certain applications and requisite supporting documents may not be examined or transmitted. Each of these considerations significantly reduces the opportunities available to the nationals of other WTO Members in the acquisition of rights under the Regulation below those available to the European Communities' own nationals.

7.308 The European Communities submits that that "[t]he Regulation does not require anything that would be outside the scope of any WTO Member with a normally functioning government".<sup>292</sup> The Panel notes that, whilst a normally functioning government might have the capacity to carry out the first and third steps, it cannot be assumed that it would have the capacity to carry out the examination according to EC law required by the second step. WTO Members have no obligation to implement a system of protection for geographical indications comparable to that of the European Communities and there is no reason to believe that they would nevertheless have the capacity to carry out examinations of technical issues that involve interpretations of EC law. In this regard, we note that one third party in this Panel proceeding indicates that its authorities would be devoid of legal

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<sup>290</sup> For the purposes of this report, references to examination and transmission of "applications" include examination and transmission of these supporting documents. Inspection structures requirements are considered later in this report.

<sup>291</sup> European Communities' second oral statement, para. 148.

<sup>292</sup> European Communities' rebuttal submission, para. 141; second oral statement, para. 142.



competence to perform this analysis.<sup>293</sup> Whilst a WTO Member that provided equivalent protection under its domestic law might presumably have the technical capacity, if not the legal competence, to perform this analysis, the provision of such protection forms part of the conditions under Article 12(1) of the Regulation. We have found that requirement, as a precondition to the availability of GI protection, to be inconsistent with the national treatment obligations in the TRIPS Agreement and GATT 1994.

7.309 In any event, even if any normally functioning government could perform these three steps, that would not alter the Panel's conclusion. The obligation to accord national treatment with respect to a measure of the European Communities is the obligation of the European Communities. This is highlighted in the text of Article 3.1 of the TRIPS Agreement under which "[e]ach Member" shall accord to the nationals of other Members no less favourable treatment.

7.310 In accordance with its domestic law, the European Communities is entitled to delegate certain functions under its measure to the authorities of EC member States. However, under the Regulation, the European Communities has purported to delegate part of this obligation to other WTO Members, who must carry out these three steps in the application procedures in order to ensure that no less favourable treatment is accorded to their respective nationals. To that extent, the European Communities fails to accord no less favourable treatment *itself* to the nationals of other Members.

7.311 The Panel notes that the European Commission does not have the discretion to ensure that applications for GIs that refer to geographical areas located in third countries receive no less favourable treatment than those located in the European Communities because it has structured the Regulation in such a way that certain functions are completely outside its control.

7.312 The European Communities drew the Panel's attention to many examples of international cooperation in the protection of private rights, including in the field of intellectual property protection.<sup>294</sup> The Panel notes that under two of them, the Patent Cooperation Treaty and the Madrid Protocol, the possibility of filing an application with an office in the applicant's own country does not prevent the applicant filing an application directly in the another country. The Panel certainly does not intend to discourage international cooperation. However, in each of these examples, cooperation is provided in the framework of treaties in which contracting parties have voluntarily agreed to participate. In contrast, the Regulation is a domestic law adopted by one Member.

7.313 The Panel also confirms that nothing in these findings purports to diminish the rights of Members under Article 24.9 of the TRIPS Agreement, which provides, in essence, that there is no obligation under this Agreement to protect geographical indications which are not protected in their country of origin.<sup>295</sup>

7.314 The Panel further confirms that the European Communities is entitled, under Article 62.1 of the TRIPS Agreement, to require that applicants comply with reasonable procedures and formalities that are consistent with the Agreement in order to prove that they meet the conditions of protection. However, Article 62 is outside the Panel's terms of reference.

7.315 The Panel recalls its finding at paragraph 7.248 that the fact that a general exceptions provision analogous to Article XX of GATT 1994 was not included in the TRIPS Agreement has no impact on its analysis of Article 3.1.

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<sup>293</sup> See comments by Brazil in Annex C, para. 32.

<sup>294</sup> See European Communities' response to Panel question No. 37, and Exhibits EC-20 through EC-27.

<sup>295</sup> Nothing in these findings purports to diminish the rights of Members under Article 5 of the TRIPS Agreement either.

7.316 For the above reasons, the Panel concludes that, with respect to the application procedures, insofar as they require examination and transmission of applications by governments, the Regulation accords other WTO Member nationals less favourable treatment than it accords the European Communities' own nationals, inconsistently with Article 3.1 of the TRIPS Agreement.

7.317 In view of that conclusion, it is unnecessary to consider the consistency of the Regulation, with respect to the application procedures, with Article 2(1) of the Paris Convention (1967), as incorporated by Article 2.1 of the TRIPS Agreement. With respect to Article 2(2) of the Paris Convention (1967), the Panel recalls its finding at paragraph 7.251 and, for the same reasons, concludes that, with respect to the application procedures, the Regulation does not impose a requirement of domicile or establishment inconsistently with that provision, as incorporated by Article 2.1 of the TRIPS Agreement.

(c) National treatment under GATT 1994

(i) *Main arguments of the parties*

7.318 **Australia** claims that the Regulation is inconsistent with Article III:4 of GATT 1994 because it requires the WTO Member in whose territory a geographical area is located to pre-approve each and every application for registration. This is a distinct and additional requirement imposed on products imported into the European Communities which significantly modifies the conditions of competition for imported products vis-à-vis domestic like products in the EC market. Any outward appearance of symmetry of treatment therefore masks a fundamentally different situation, for the reasons given earlier.<sup>296</sup>

7.319 Australia argues that the relevant aspects of the application procedures are not justified under Article XX(d) of GATT 1994. They do not satisfy the "necessary" test in paragraph (d) because, as in *Korea – Various Measures on Beef*, alternative measures are reasonably available. The European Communities could leave it to the applicant to provide the required information and/or it could ask for the cooperation of another WTO Member government after an application has been filed should such cooperation be necessary to enable an application to be assessed. They do not satisfy the chapeau of Article XX because if the term is already registered, the applicant could provide a registration certificate as readily as the third country government. As in *US – Shrimp*, the Regulation requires other WTO Members to adopt a regulatory framework that is not merely comparable but essentially the same.<sup>297</sup>

7.320 The **European Communities** responds that this claim must fail. It reiterates its arguments that the application procedures provide equal treatment, not less favourable treatment.<sup>298</sup>

7.321 The European Communities asserts that verification and transmission of applications by the government of the home country of the GI is justified by Article XX(d) of GATT 1994.<sup>299</sup> It argues that this is necessary to secure compliance with the Regulation itself, in particular, the definition of a GI, the product specifications, protection in the country of origin, establishment of the inspection structures and the requirement that only products that comply with a specification bear the PDO and PGI indications. It argues that the cooperation of the home government is indispensable for the implementation of the Regulation which, in particular, requires the evaluation of factual and legal questions which only the home country of the GI is in a position to carry out. These requirements for cooperation do not go beyond what is necessary for the implementation of the Regulation. The

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<sup>296</sup> Australia's first written submission, paras. 172-174.

<sup>297</sup> Australia's second oral statement paras. 66-70.

<sup>298</sup> European Communities' first written submission, para. 207; rebuttal submission, para. 218.

<sup>299</sup> European Communities' rebuttal submission, paras. 237-239.

requirement of transmission follows naturally from the required intergovernmental cooperation and is not particularly burdensome for WTO Members. Article XX(d) does not exclude that the measures and the laws and regulations with which they secure compliance may be part of the same legal act. In addition, there is nothing which limits measures which secure compliance to *ex post* enforcement and excludes safeguards in the registration process. The Regulation is not inconsistent with GATT 1994 because it implements an obligation under Article 22 of the TRIPS Agreement and a higher level of protection permitted by Article 1.1. It is applied in a manner consistent with the chapeau of Article XX.<sup>300</sup>

7.322 The European Communities argues that, with respect to verification that the GI is protected in its country of origin, verification requires knowledge of local factors that typically only the country of origin will have and which may also require on-site checks. Submission of a registration certificate authenticated by the country of origin would normally provide sufficient evidence that the indication is protected in the country of origin. However, it is not an option for those Members which do not have a specific register, such as Australia. Verification by third country governments is particularly necessary where they do not have a specific register as evaluation of protection in the country of origin may be more difficult. It is not credible that the Australian government would not be better qualified than the right holder or the European Communities. Transmission of applications by third country governments is an integral part of the application procedure and should not be viewed in isolation. It has no significant impact on trade in goods. It makes no difference whether the European Communities asks for cooperation from a third country government before or after an application is filed.<sup>301</sup>

(ii) *Main arguments by third parties*

7.323 **Argentina, Brazil, India, Mexico and Chinese Taipei** inform the Panel that direct applications to register GIs located in third countries are possible under their respective national legislation.<sup>302</sup>

7.324 **Brazil** argues that the application procedures require WTO Members to "pre-approve" applications before they forward them to the European Commission, which is a striking violation of the national treatment obligation in Article 3.1 of the TRIPS Agreement.<sup>303</sup>

7.325 **New Zealand** considers that, as the same phrase "less favourable treatment" is used in Article III:4 as in Article 3.1 of the TRIPS Agreement, all arguments raised under that claim apply equally here. New Zealand does not consider that the measure can be justified as "necessary" within the meaning of Article XX(d) of GATT 1994. The Commission conducts its own six-month investigation of an application so that it is not necessary for applications to be passed through a third country government filter.<sup>304</sup>

(iii) *Consideration by the Panel*

7.326 This claim concerns procedures for applications for registration under the Regulation. The Panel recalls its findings:

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<sup>300</sup> European Communities' rebuttal submission, paras. 237-239; responses to Panel question Nos. 135(a), (b) and (c) and 136(a).

<sup>301</sup> European Communities' response to Panel question No. 136(b), (c) and (d).

<sup>302</sup> See their respective responses in Annex C at paras. 18, 27, 103, 118 and 180.

<sup>303</sup> Annex C, para. 27.

<sup>304</sup> Annex C, paras. 141-143.

- (a) at paragraph 7.263, that the Regulation is a law or regulation affecting the internal sale and offering for sale of products within the meaning of Article III:4 of GATT 1994;
- (b) at paragraph 7.264 that the Regulation links the protection of the name of a product to the territory of a particular country and formally discriminates between imported products and products of European Communities origin within the meaning of Article III:4 of GATT 1994;
- (c) at paragraph 7.265 that the European Communities does not contest that there are, among the group of products covered by the Regulation, "like products" among the imported products and products of European Communities origin;
- (d) at paragraph 7.266, that under Article III:4 of GATT 1994 we must examine whether the measure modifies the conditions of competition between domestic and imported products and that in this examination we will focus on the "fundamental thrust and effect of the measure itself"; and
- (e) at paragraphs 7.267 to 7.269 on the substantive advantage provided under Article 13 of the Regulation that affects the conditions of competition of the relevant products;
- (f) at paragraphs 7.303 to 7.307 concerning the differences between the application procedures for GIs that refer to geographical areas located in EC member States and those located in third countries. These differences can result in some applications from third countries, including WTO Members, not being transmitted to the Commission; and
- (g) at paragraph 7.311 that the European Communities has no discretion in the implementation of the Regulation to ensure that all applications from third countries are transmitted to the Commission.

7.327 A failure to transmit an application would entail non-registration of GIs, which would lead to failure of the products from those third countries to obtain the benefits of registration set out in Article 13 of the Regulation. Therefore, the Panel concludes that, with respect to the application procedures, insofar as they require examination and transmission of applications by governments, the Regulation accords less favourable treatment to imported products than domestic products, inconsistently with Article III:4 of GATT 1994.

7.328 The European Communities asserts that these procedures are justified by Article XX(d) of GATT 1994. As the party invoking this affirmative defence, the European Communities bears the burden of proof that the conditions of the defence are met.

7.329 Article XX provides exceptions for certain measures. The "measures" which the European Communities needs to justify at this point are the requirements of examination and transmission of applications for registration by governments under the Regulation. These apply to applications from both EC member States and third countries. However, it does not need to justify the less favourable treatment which denies applicants for GIs located in third countries the opportunity to file direct applications.<sup>305</sup>

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<sup>305</sup> This is consistent with the approach of the Appellate Body in *US – Gasoline*, according to which one must examine whether the relevant "measure", rather than the legal finding of less favourable treatment, falls within a paragraph of Article XX: see DSR 1996:I, 3, at 15.

7.330 Paragraph (d) of Article XX refers to "measures" falling within the following description:

"(d) necessary to secure compliance with laws or regulations which are not inconsistent with the provisions of this Agreement, including those relating to customs enforcement, the enforcement of monopolies operated under paragraph 4 of Article II and Article XVII, the protection of patents, trade marks and copyrights, and the prevention of deceptive practices;"

7.331 The Panel takes note that paragraph (d) refers to laws or regulations, including those relating to "the protection of patents, trade marks and copyrights, and the prevention of deceptive practices". The Regulation provides for the protection of GIs and is an analogous law or regulation, as the European Communities points out.<sup>306</sup> However, the term "laws or regulations" is qualified by the phrase "not inconsistent with the provisions of this Agreement".

7.332 The European Communities argues that the requirements of examination and transmission of applications by governments secure compliance with the Regulation.<sup>307</sup> However, the Panel has found that the Regulation itself is inconsistent with the provisions of GATT 1994 for the reasons set out in this report. Therefore, the Regulation is not a law or regulation within the meaning of paragraph (d). In response to questions, the European Communities argued that these requirements secure compliance with a provision within the Regulation. However, if that provision could itself be a law or regulation within the meaning of paragraph (d), the European Communities did not demonstrate that it was "not inconsistent" with GATT 1994.<sup>308</sup>

7.333 The Panel also notes the use of the term "necessary" in paragraph (d) of Article XX. We recall the clarification of that term provided by the Appellate Body in *Korea – Various Measures on Beef*, as follows:

"We believe that, as used in the context of Article XX(d), the reach of the word 'necessary' is not limited to that which is 'indispensable' or 'of absolute necessity' or 'inevitable'. Measures which are indispensable or of absolute necessity or inevitable to secure compliance certainly fulfil the requirements of Article XX(d). But other measures, too, may fall within the ambit of this exception. As used in Article XX(d), the term 'necessary' refers, in our view, to a range of degrees of necessity. At one end of this continuum lies 'necessary' understood as 'indispensable'; at the other end, is 'necessary' taken to mean as 'making a contribution to'. We consider that a 'necessary' measure is, in this continuum, located significantly closer to the pole of 'indispensable' than to the opposite pole of simply 'making a contribution to'."  
[footnote omitted]<sup>309</sup>

7.334 The Appellate Body summed up its approach to the determination of whether a measure which is not "indispensable" may nevertheless be "necessary" within the meaning of Article XX(d) as a process of weighing and balancing a series of factors. It approved the approach of the GATT Panel in *US – Section 337* as a way in which to apply this process as follows:

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<sup>306</sup> European Communities' rebuttal submission, para. 234.

<sup>307</sup> European Communities' first written submission, para. 226; rebuttal submission, para. 238.

<sup>308</sup> The European Communities argued that verification (and incidentally also the transmission) of applications by the government of the country of origin served the purpose of establishing whether the requirements of the Regulation for registration of GIs are satisfied and, accordingly, secured compliance with the requirement in Article 8 that the PDO, PGI and equivalent indications may appear only on products that comply with the Regulation. However, it only explained how the Regulation itself was, in its view, not inconsistent with GATT 1994: see its responses to Panel questions No. 135(a), (c) and (d).

<sup>309</sup> Appellate Body report on *Korea – Various Measures on Beef*, para. 161.

"In our view, the weighing and balancing process we have outlined is comprehended in the determination of whether a WTO-consistent alternative measure which the Member concerned could 'reasonably be expected to employ' is available, or whether a less WTO-inconsistent measure is 'reasonably available'."<sup>310</sup>

7.335 The Panel will follow this approach.

7.336 Australia argues that the European Communities could reasonably be expected to allow applicants to file applications directly with its authorities without prior verification by third country governments, and that this is WTO-consistent. Many other WTO Members employ such a procedure.<sup>311</sup> It is not disputed that such a procedure would be WTO-consistent.

7.337 The European Communities submits that the cooperation of the government of the country where the GI is located is indispensable because the registration of GIs requires the evaluation of factual and legal questions which "only the home country of the GI is in a position to carry out".<sup>312</sup>

7.338 The Panel observes that Articles 6(2) and 12b(1) of the Regulation provide that the Commission makes the decision on whether the conditions are satisfied so as to warrant publication. It is not clear why an additional examination of the conditions by other governments is also required. Nor is it clear that a third country government is even able to conduct an examination according to the requirements, not of its own law, but of an EC Regulation. The European Communities has not explained why physical proximity or potential knowledge of certain questions in the country of origin implies a capacity to assess matters of EC law. Therefore, it is not clear to what extent examination by governments, including third country governments, contributes to securing compliance with the conditions for registration.

7.339 With respect to factual and legal questions that, as part of the examination, can be verified in the country of origin, the European Communities does not explain why the Regulation does not permit applicants to provide objective and impartial evidence that may verify their applications nor does it explain why the Commission cannot seek consent to carry out its own verifications. In its responses to the Panel's questions, the European Communities indicates that "typically" only the country of origin has the required knowledge of local factors and that verification "may" require on-site checks which the Commission cannot carry out in third countries without express consent.<sup>313</sup> The Panel considers that these responses constitute an admission that, in some cases, verification by third country governments is not necessary and that, if it sought and obtained consent, the Commission could conduct verifications itself. The European Communities has not demonstrated the factual premise of its defence that only the government of the country of origin is in a position to carry out the evaluation of these factual and legal questions. Therefore, the Panel does not need to consider further the requirement of examination by governments.

7.340 With respect to the transmission of applications, the European Communities is unable to explain why a procedure permitting applicants to file applications directly with its competent authorities would not permit an examination of whether an application for a GI in another WTO Member complies with the conditions in the Regulation. It submitted that transmission of applications by governments should not be viewed in isolation. Given that it has not established that

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<sup>310</sup> *Ibid.* para. 166. The Appellate Body also followed this approach to the word "necessary" as used in paragraph (b) of Article XX in *EC – Asbestos*, para. 172.

<sup>311</sup> See comments of Argentina, Brazil, India, Mexico, New Zealand and Chinese Taipei as third parties in Annex C, paras. 18, 28, 103, 118, 161 and 180.

<sup>312</sup> European Communities' rebuttal submission, para. 237.

<sup>313</sup> European Communities' response to Panel question No. 136(a).

examination by governments, including third country governments, is necessary, it has not established that transmission by them is necessary either.

7.341 Therefore, the Panel considers that the European Communities has not discharged its burden of proving that examination and transmission of applications by governments are covered by paragraph (d) of Article XX. It is therefore unnecessary to consider the chapeau of Article XX.

7.342 For these reasons, the Panel concludes that, with respect to the application procedures, insofar as they require examination and transmission of applications by governments, the Regulation accords less favourable treatment to imported products inconsistently with Article III:4 of GATT 1994, and these requirements are not justified by Article XX(d).

### 3. Objection procedures

#### (a) Description of objection procedures under Articles 7, 12b and 12d of the Regulation

7.343 The parties agree on most features of the objection procedures under the Regulation. There are separate provisions setting out the procedures for objections to applications for registration of GIs which apply according to the location of the geographical area and the location of the person who wishes to file an objection. Article 7 applies where the geographical area and the person who wishes to file an objection are both located in EC member States. Article 12b applies where the geographical area is located in a third country. Article 12d applies where the geographical area is located in an EC member State and the person who wishes to file an objection is located in a third country.

7.344 Article 7(1) and 7(3) provide as follows:

"1. Within six months of the date of publication in the *Official Journal of the European Communities* referred to in Article 6(2), any Member State may object to the registration.

3. Any legitimately concerned natural or legal person may object to the proposed registration by sending a duly substantiated statement to the competent authority of the Member State in which he resides or is established. The competent authority shall take the necessary measures to consider these comments or objection within the deadline laid down."

7.345 Article 12b(2) provides, relevantly, as follows:

"2. Within six months of the date of publication as provided for in paragraph 1(a), any natural or legal person with a legitimate interest may object to the application published in accordance with paragraph 1(a) on the following terms:

(a) where the objection comes from a Member State of the European Union or a WTO Member, Article 7(1), (2) and (3) or Article 12d respectively shall apply;

(b) where the objection comes from a third country meeting the equivalence conditions of Article 12(3), a duly substantiated statement of objection shall be addressed to the country in which the abovementioned natural or legal person resides or is established, which shall forward it to the Commission."

7.346 Article 12d(1) provides, relevantly, as follows:

"1. Within six months of the date of the notice in the *Official Journal of the European Union* specified in Article 6(2) relating to a registration application submitted by a Member State, any natural or legal person that has a legitimate interest and is from a WTO member country or a third country recognised under the procedure provided for in Article 12(3) may object to the proposed registration by sending a duly substantiated statement to the country in which it resides or is established, which shall transmit it, made out or translated into a Community language, to the Commission."

7.347 Article 7(4) sets out the grounds for admission of objections. Articles 12b(3) and 12d(2) provide that the Commission shall examine the admissibility of objections in accordance with the criteria laid down in Article 7(4).

(b) National treatment under the TRIPS Agreement

(i) *Main arguments of the parties*

7.348 **Australia** claims that the Regulation is inconsistent with Article 3.1 of the TRIPS Agreement and Article 2 of the Paris Convention (1967), as incorporated by Article 2.1 of the TRIPS Agreement, because the objection procedures accord less favourable treatment to non-EC nationals.<sup>314</sup>

7.349 Australia argues that a non-EC national resident or established in a third country has no direct means to object to registration but must lodge an objection through the government of the WTO Member in which that person resides or is established.<sup>315</sup> That government is responsible for verification and transmission of the objection. Australia argues that, with respect to objection procedures, as with respect to application procedures, the legally defined rights and obligations between the European Communities and EC member States and EC member State nationals makes the registration process for EC nationals fundamentally different for non-EC nationals.<sup>316</sup> Any outward appearance of symmetry of treatment therefore masks a fundamentally different situation.<sup>317</sup>

7.350 Australia submits that Article 12d of the Regulation limits the persons who may file objections to those resident or established in a country that satisfies the conditions of *equivalence* and *reciprocity*.<sup>318</sup>

7.351 Australia argues that certain individual registrations, which remain in force, were effected under the simplified procedure in Article 17 of the Regulation prior to its deletion in April 2003, without granting a right of objection to WTO Member nationals.<sup>319</sup> It refers to the *Bayerisches Bier* registration (considered in Section VII:D below) and argues that there was a mechanism available to at least some EC trademark right holders to make their objections known.<sup>320</sup>

7.352 Australia also claims that the measure at issue is inconsistent with national treatment obligations under the TRIPS Agreement because certain individual registrations, which remain in force, were effected under Article 6 of the Regulation prior to its amendment by the insertion of

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<sup>314</sup> Australia's first written submission, para. 203 and second oral statement, para. 77.

<sup>315</sup> Australia's first written submission, para. 203.

<sup>316</sup> Australia's first written submission, para. 205; first oral statement, para. 34.

<sup>317</sup> Australia's rebuttal submission, paras. 174-176, citing Canada's third party oral statement; and Australia's second oral statement, para. 77.

<sup>318</sup> Australia's first written submission, para. 204.

<sup>319</sup> Australia's first written submission, paras. 190-194.

<sup>320</sup> Australia's comments on EC response to question No. 163.



Article 12d in April 2003, without granting a right of objection to WTO Member nationals.<sup>321</sup> This claim is dealt with in Section VII:E of this report under the heading "individual registrations".<sup>322</sup>

7.353 The **European Communities** responds that these claims must fail. The verification and transmission of an objection by a third country should not be particularly burdensome and does not amount to an "extra hurdle" for third country residents. A third country is not required to conduct a substantive verification under Article 7(4) the Regulation – which is clear from the wording of Article 12d(2) that indicates that the criteria must be assessed in relation to the territory of the Community. Rather, the third country verifies whether the person objecting is indeed resident or established there. It could also be useful to have an official contact point if questions arise concerning the territory of the third country, it should be beneficial to the person objecting to deal directly with an authority in the third country and, if the objection is admissible, the third country is to be consulted before the Commission takes its decision on registration.<sup>323</sup>

7.354 The European Communities argues that Article 12d grants a right of objection to persons from WTO Members because the phrase "recognised under the procedure provided for in Article 12(3)" only applies to other third countries. The conditions of equivalence and reciprocity do not apply to WTO Members' right to object. Otherwise, the specific reference to "WTO Members" would be meaningless. This is also clear in Article 12b(2).<sup>324</sup> It also argues that Article 12d does not discriminate according to nationality but according to residence or establishment. It cannot simply be assumed that the reference to "nationals" in Article 3.1 of the TRIPS Agreement and Article 2 of the Paris Convention (1967) also applies to persons who are domiciled or established abroad, regardless of their nationality.<sup>325</sup>

(ii) *Main arguments of third parties*

7.355 **Argentina, India, Mexico, New Zealand and Chinese Taipei** all inform the Panel that they are not aware of any person ever having attempted to file with their respective authorities an objection to registration under the Regulation.<sup>326</sup>

7.356 **Brazil** considers that the requirement to file objections with the country in which the objector resides or is established is an "unnecessarily complicated or costly" procedure in breach of Article 41.2 of the TRIPS Agreement. Brazil sees no necessity that would justify preventing private parties forwarding objections directly to the European Commission as many countries, including Brazil, allow for direct access for foreigners to object.<sup>327</sup>

7.357 **Mexico** argues that the Regulation is inconsistent with national treatment because it imposes conditions of reciprocity and prevents third country nationals filing objections directly with European authorities. Non-EC WTO Member nationals have an additional burden to involve their national authorities and delegate to them the objection process. Mexico refers to cochineal as a practical

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<sup>321</sup> Australia's first written submission, paras. 184-189.

<sup>322</sup> Australia mentioned Article III:4 of GATT 1994 in response to Panel question No. 92 but has not raised a claim under GATT 1994 in relation to the objection procedures.

<sup>323</sup> European Communities' response to Panel question No. 34; rebuttal submission, paras. 155-159; second oral statement, paras. 89-94.

<sup>324</sup> European Communities' first written submission, paras. 73-75; first oral statement, para. 50; second oral statement, paras. 86-88.

<sup>325</sup> European Communities' first written submission, para. 142; first oral statement, para. 51.

<sup>326</sup> See their respective comments in Annex C in paras. 18, 103, 118, 110 and 179.

<sup>327</sup> Annex C, para. 28.

example of the way in which Mexican producers would be required to go through specific procedures which EC nationals are not.<sup>328</sup>

7.358 **New Zealand** argues that the objection procedure can potentially result in an application for registration not proceeding. Not having the right to object is a loss of a valuable right of a producer to protect its intellectual property rights. Objections under the Regulation are subject to equivalence and reciprocity requirements: the distinction between WTO Members and other third countries in Article 12d(1) could have been made clear by inserting a comma or other words. Objections must also be submitted through governments. At worst, the benefits of the right to object are entirely unavailable to third country producers. As a result, the system virtually guarantees that no objections will be received from WTO Member nationals to applications for registration of GIs.<sup>329</sup>

(iii) *Consideration by the Panel*

7.359 These claims concern procedures for filing and examination of objections to applications for registration of "designations of origin" and "geographical indications", as defined in the Regulation. They are referred to in this report, for the sake of brevity, as "opposition procedures".

7.360 These claims relate to two separate issues: (1) regarding verification and transmission of objections by governments; and (2) regarding equivalence and reciprocity conditions.<sup>330</sup> The Panel will address these issues in turn.

Verification and transmission

7.361 These claims are made under the national treatment obligations in Article 3.1 of the TRIPS Agreement and Article 2 of the Paris Convention (1967), as incorporated by Article 2.1 of the TRIPS Agreement. The Panel will first consider the claim under Article 3.1 of the TRIPS Agreement.

7.362 The Panel recalls that two elements must be satisfied to establish an inconsistency with this obligation. (1) the measure at issue must apply with regard to the protection of intellectual property; and (2) the nationals of other Members must be accorded "less favourable" treatment than the Member's own nationals. The Panel will address each of these elements in turn.

Protection of intellectual property

7.363 The Panel recalls that the national treatment obligation in Article 3 of the TRIPS Agreement applies to the treatment accorded by a Member "with regard to the protection of intellectual property". Footnote 3 provides an inclusive definition of the term "protection" as used in Articles 3 and 4:

"For the purposes of Articles 3 and 4, 'protection' shall include matters affecting the availability, acquisition, scope, maintenance and enforcement of intellectual property rights as well as those matters affecting the use of intellectual property rights specifically addressed in this Agreement."

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<sup>328</sup> Annex C, para. 110.

<sup>329</sup> Annex C, paras. 139-140.

<sup>330</sup> Australia also makes a claim with respect to the right of objection under the former Article 17 of the Regulation, which has been repealed. The Panel recalls its decision in paras. 7.14 and 7.17 that it would not make any recommendation with respect to prior versions of the Regulation that are no longer in force but it would make findings with respect to prior versions of the Regulation where they serve some useful purpose in reaching conclusions with respect to measures within its terms of reference, including individual registrations, that are currently in force. The Panel makes certain findings on the right of objection under the former Article 17 for that purpose in para. 7.746.

7.364 The Panel recalls its finding at paragraph 7.299 that procedures for the filing and examination of *applications* for registration are matters affecting the acquisition of intellectual property rights, within the scope of "protection" of intellectual property as clarified in footnote 3 of the TRIPS Agreement. Procedures for *objections* to such applications are related to the procedures for acquisition, as recognized in the fourth paragraph of Article 62 (which uses the word "opposition") and the title of that article. Hence, opposition procedures are also matters "affecting" the acquisition of intellectual property rights which concern the "protection" of intellectual property, as clarified in footnote 3 to the TRIPS Agreement. It is not disputed that "designations of origin" and "geographical indications", as defined in the Regulation, are a subset of geographical indications, the subject of Section 3 of Part II, and therefore part of a category of intellectual property within the meaning of Article 1.2 of the TRIPS Agreement. Therefore, the objection procedures are subject to the national treatment obligation in Article 3.1 of that Agreement.

#### Less favourable treatment accorded to the nationals of other Members

7.365 Australia claims that the procedures relating to verification and transmission of objections are inconsistent with the national treatment obligations under the TRIPS Agreement.

7.366 The Panel notes that, unlike the application procedures, the objection procedures do *not* concern the location of the geographical area to which the GI refers. Rather, they refer to the place where the objector resides or is established. The Panel recalls its findings at paragraphs 7.221 to 7.239 and considers, for the same reasons *a fortiori*, that the treatment accorded by the Regulation to persons resident or established in certain countries will, objectively, translate into treatment of persons with the nationality of those countries.

7.367 The Panel notes once again that the close link between nationality, on the one hand, and residence and establishment, on the other, appears to be recognized in the Regulation itself. Articles 12b(2)(a) and 12d(1) of the Regulation accord a right of objection to persons, which the European Communities confirms refers to persons resident or established outside the European Communities regardless of their nationality.<sup>331</sup> Yet the April 2003 amending Regulation, which inserted these provisions, explained that Article 12d granted the right of objection to the *nationals* of other WTO Members.<sup>332</sup>

7.368 The Panel recalls its finding at paragraph 7.184 that under Article 3.1 of the TRIPS Agreement we must examine the "effective equality of opportunities" with regard to the protection of intellectual property rights and at paragraph 7.187 that in this examination we will focus on the "fundamental thrust and effect" of the Regulation.

7.369 The parties and third parties who responded to the Panel's question on this point all reported that they were not aware of any objections to registration of GIs under the Regulation ever having been filed with the authorities of a third country.<sup>333</sup> However, Australia challenges the Regulation, in this respect, "as such".

7.370 Australia claims that the treatment accorded under the objection procedures in Articles 12b(2) and 12d(1) is less favourable treatment than that accorded under Article 7(3). There is an apparent

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<sup>331</sup> European Communities' first written submission, para. 142.

<sup>332</sup> See paragraph 10 of the recitals to the April 2003 amending Regulation, set out in para. 7.121 above.

<sup>333</sup> However, the United States provided evidence from the US Dairy Export Council and the National Milk Producers Federation that US dairy producers and processors had been unable to prevent the registration as protected GIs in the European Union of a number of cheese types that they considered generic prior to registration. The European Communities responds that this is based on a misperception of the content of the Regulation: see its rebuttal submission, para. 85.

equivalence in the drafting of these provisions but the question is whether this would imply a modification of the effective equality of opportunities with regard to the protection of intellectual property.

7.371 The Panel notes that the initial steps in the procedures for objections by private persons can be broken down as follows:

- (a) as a first step, all objectors are required to submit their objection to the authorities in the country in which they reside or are established. These will be authorities of an EC member State or a third country, depending on the case; and
- (b) as a second step, the authorities who receive an objection verify certain formal matters<sup>334</sup> and forward or transmit it to the Commission.

7.372 We recall the European Communities' explanation of what amounts to its domestic constitutional arrangements, set out at paragraph 7.148, that Community laws are generally not executed through authorities at Community level but rather through recourse to the authorities of its member States which, in such a situation, "act *de facto* as organs of the Community, for which the Community would be responsible under WTO law and international law in general".<sup>335</sup> It follows that any objection from a person in an EC member State is filed directly with a "*de facto* organ of the Community". An objection from a person in a third country cannot be filed directly, but must be filed with a foreign government. This is a formal difference in treatment.

7.373 An EC member State has an obligation under Community law to verify an objection and forward it to the Commission. A group or person who submits an objection in an EC member State may enforce these obligations through recourse to judicial procedures based on the Regulation. In contrast, a third country government has no obligation under Community law or any other law to receive an objection or to transmit it to the Commission. A group or person who submits an objection in a third country has no right to such treatment.

7.374 Therefore, persons resident or established in third countries, including other WTO Members, who wish to object to applications for registration under the Regulation do not have a right in the objection procedures that is provided to persons in the European Communities. Objectors in third countries face an "extra hurdle" in ensuring that the authorities in those countries carry out the functions reserved to them under the Regulation, which objectors in EC member States do not face. Consequently, certain objections may not be verified or transmitted. Each of these considerations significantly reduces the opportunities available to other WTO Member nationals in matters affecting the acquisition of rights under the Regulation compared with those available to EC nationals. For this reason, the Regulation accords nationals of other WTO Members "less favourable treatment" within the meaning of Article 3.1 of the TRIPS Agreement.

7.375 The European Communities submits that the requirement that statements of objection be transmitted by the country where the person is resident or established is not an unreasonable condition and that, if there is no objective reason for the third country government to refuse to cooperate, it is not the European Communities' rules which create an "extra hurdle" for third country residents.<sup>336</sup> The Panel recalls its finding at paragraph 7.309 that the obligation to accord national treatment with respect to a measure of the European Communities is the obligation of the European Communities.

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<sup>334</sup> The Panel takes note of the European Communities' position that it does not require third country governments to verify whether the objections are admissible, but it agrees that it does require them to verify certain formal matters: see European Communities' rebuttal submission, paras. 155-156.

<sup>335</sup> European Communities' second oral statement, para. 148.

<sup>336</sup> European Communities' rebuttal submission, para. 157.

For the reason set out in paragraph 7.310 in relation to application procedures, the Panel considers that the European Communities has failed to accord no less favourable treatment *itself* to the nationals of other Members.

7.376 The Panel confirms that the European Communities is entitled, under Article 62.4 of the TRIPS Agreement, to provide for procedures for objections that comply with the general principles in paragraphs 2 and 3 of Article 41. However, Article 62 is outside the Panel's terms of reference.

7.377 The Panel recalls its finding at paragraph 7.248 that the fact that a general exceptions provision along the lines of Article XX of GATT 1994 was not included in the TRIPS Agreement has no impact on its analysis of Article 3.1.

7.378 Therefore, the Panel concludes that, with respect to the objection procedures, insofar as they require the verification and transmission of objections by governments, the Regulation accords less favourable treatment to the nationals of other Members, inconsistently with Article 3.1 of the TRIPS Agreement.

#### Article 2 of the Paris Convention (1967)

7.379 In view of the conclusion at paragraph 7.378 with respect to the objection procedures, insofar as they require the verification and transmission of objections by governments, it is unnecessary to consider their consistency with Article 2(1) of the Paris Convention (1967), as incorporated by Article 2.1 of the TRIPS Agreement.

7.380 The Panel recalls its finding at paragraph 7.253 and, for the same reasons, concludes that, with respect to the opposition procedures, the Regulation does not impose a requirement of domicile or establishment inconsistently with Article 2(2) of the Paris Convention (1967), as incorporated by Article 2.1 of the TRIPS Agreement.

#### Equivalence and reciprocity conditions

7.381 Australia claims that the right to file an objection under Article 12d(1) of the Regulation is limited to countries that satisfy the equivalence and reciprocity conditions in Article 12(1) based on a reading of the phrase "a WTO member country or a third country recognised under the procedure provided for in Article 12(3)" as if it read "a WTO member country recognised under the procedure provided for in Article 12(3) or a third country recognised under the procedure provided for in Article 12(3)". It is necessary for the Panel to make an objective assessment of the meaning of that phrase in this provision, although solely for the purpose of determining the European Communities' compliance with its WTO obligations.<sup>337</sup>

7.382 The Panel observes that this claim is based entirely on the absence of a comma. A reading of the text of Article 12d(1), set out in full at paragraph 7.346 shows that if there were a comma after the words "a WTO member country", it would be clear that it was separate from the following words "or a third country recognised under the procedure provided for in Article 12(3)". However, in the Panel's view, even without a comma, it is unlikely that the phrase "recognised under the procedure provided for in Article 12(3)" refers to both a "WTO member country" and a "third country" in this context. If that were the correct reading, then there would be no need to specify a "WTO member country" separately because, outside the European Communities, a "WTO member country" is necessarily a third country. There would be no need to refer specifically to a "WTO member country" if it was not distinguished in some way from any other third country. The difference must be that a third country is only included if it is recognized under the procedure provided for in Article 12(3) so that,

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<sup>337</sup> In this regard, the Panel recalls its comments at para. 7.106 above.

consequently, this phrase would not apply to a "WTO member country". Indeed, the fact that there is no need for a WTO Member to obtain recognition under Article 12(3) for its residents to object seems to be precisely the reason that it is included.

7.383 This is consistent with the fact that Article 12b(2), in which the format is clearer, creates a right of objection for WTO Member and other third country nationals but clearly indicates that recognition under the procedure in Article 12(3) does not apply to WTO Members in this respect. Further confirmation is provided by the recitals to the April 2003 amending Regulation which explained the justification for the insertion of the right of objection in Articles 12b and 12d in terms of WTO Members, but limited the explanation of the equivalence and reciprocity conditions to the issue of protection provided by registration to foreign names.<sup>338</sup>

7.384 The European Communities confirms that the Panel's interpretation of this aspect of the Regulation is correct and submits undisputed evidence that since the entry into force of Article 12d(1), the publications of all applications for registration of a geographical indication specifically refer to the possibility for residents from WTO countries to object to the application.<sup>339</sup>

7.385 Therefore, based on this understanding of Article 12d(1) of the Regulation, the Panel concludes that with respect to the equivalence and reciprocity conditions, as allegedly applicable to objections, Australia has not made a prima facie case in support of its claims under Article 3.1 of the TRIPS Agreement or Article 2(1) of the Paris Convention (1967) as incorporated by Article 2.1 of the TRIPS Agreement.

#### Summary of conclusions regarding objection procedures

7.386 In summary:

- (a) with respect to the objection procedures, insofar as they require the verification and transmission of objections by governments, the Regulation accords the nationals of other Members less favourable treatment than the European Communities' own nationals inconsistently with Article 3.1 of the TRIPS Agreement;
- (b) with respect to the objection procedures, the Regulation does not impose a requirement of domicile or establishment inconsistently with Article 2(2) of the Paris Convention (1967) as incorporated by Article 2.1 of the TRIPS Agreement; and
- (c) Australia has not made a prima facie case in support of its claims with respect to the equivalence and reciprocity conditions, as allegedly applicable to the objection procedures.

#### **4. Regulatory committee**

(a) Description of procedure laid down in Article 15 of the Regulation

7.387 The Regulation provides that certain decisions shall be taken by the European Commission "in accordance with the procedure laid down in Article 15". These include decisions *not* to proceed with registration of a GI under Articles 6(5) and 12b(1)(b); decisions whether or not to proceed with registration of a GI where an objection is admissible under Articles 7(5)(b)<sup>340</sup>, 12b(3) and 12d(3);

<sup>338</sup> Paragraphs 9 and 10 of the recitals to Council Regulation (EC) No. 692/2003 set out at para. 7.121 above.

<sup>339</sup> European Communities' rebuttal submission, para. 152, attaching as an example the publication of the application to register "Lardo di Colonnata" dated 5 June 2003, set out in Exhibit EC-56.

<sup>340</sup> Where no agreement is reached among EC member States.

decisions to cancel registration of a GI under Article 11a; and decisions whether a third country satisfies the equivalence and reciprocity conditions under Article 12(3).<sup>341</sup> The Regulation provides that the Commission may ask the committee provided for in Article 15 for its opinion prior to taking certain other decisions. These include decisions to proceed with registration of a GI located in a third country under Article 12b(1)(a) and decisions to register a homonym of an already registered GI under Article 6(6).<sup>342</sup>

7.388 Article 15 of the Regulation provides, relevantly, as follows:

- "1. The Commission shall be assisted by a committee.
2. Where reference is made to this Article, Articles 5 and 7 of Decision 1999/468/EC shall apply. (...)"

7.389 Decision 1999/468/EC (the so-called "Comitology Decision") lays down the procedures for the exercise of implementing powers conferred on the Commission.<sup>343</sup> Article 5 of that Decision sets out a regulatory procedure which provides that the Commission shall be assisted by a regulatory committee composed of the representatives of the EC member States and chaired by the representative of the Commission, who does not vote. The representative of the Commission shall submit to the committee a draft of the measures to be taken. The committee shall deliver its opinion on the draft within a time-limit by qualified majority voting. The Commission shall adopt the measures envisaged if they are in accordance with the opinion of the committee. If the measures are not in accordance with the opinion of the committee, or if no opinion is delivered, the Commission shall, without delay, submit to the Council a proposal relating to the measures to be taken and shall inform the European Parliament. The Council may act by qualified majority on the proposal within three months. If the Council indicates by qualified majority that it opposes the proposal, the Commission shall re-examine it. If the Council neither adopts the proposed measure nor indicates its opposition within three months, the Commission shall adopt the proposed measure.<sup>344</sup>

(b) National treatment under the TRIPS Agreement

(i) *Main arguments of the parties*

7.390 **Australia** argues that the Regulation is inconsistent with Article 3.1 of the TRIPS Agreement and Article 2.1 of the TRIPS Agreement (incorporating Article 2 of the Paris Convention (1967)) because "a non-EC national trademark right holder does not have a national representative on the Committee to speak for its interests". It set out the procedure that is established under Article 15.<sup>345</sup>

7.391 The **European Communities** responds that this claim is manifestly unfounded. The decision-maker is the Commission, or exceptionally the Council. The Committee merely assists the Commission but does not take decisions itself. EC member State representatives on the Committee

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<sup>341</sup> Under the simplified procedure in the former Article 17 of the Regulation, the Commission was required to register all names in accordance with the procedure laid down in Article 15.

<sup>342</sup> The procedure under Article 15 is also applicable in certain other cases, including Articles 1(1), 2(5) and 5(5).

<sup>343</sup> It is reproduced in full in Exhibit COMP-8.

<sup>344</sup> Article 15 of the Regulation, set out in Exhibits COMP-1b and EC-1, Article 5 of Council Decision (EC) No. 1999/468 set out in Exhibit COMP-8 and the European Communities' first written submission, paras. 81-82. The three month time-limit is set by Article 15 of the Regulation.

<sup>345</sup> Australia's first written submission, paras. 58 and 203. In relation to a claim under Article 41 of the TRIPS Agreement, it also referred to the Committee as the ultimate decision-making body for the enforcement of trademark rights in the circumstances governed by the Regulation: see para. 147.

do not speak for particular right holders, but represent the respective EC member State.<sup>346</sup> Australia has not provided arguments to substantiate its claim.<sup>347</sup>

(ii) *Main arguments of third parties*

7.392 **China** notes the procedure under Article 15 and that the committee is composed only of representatives of EC member States. This procedure for the resolution of possible disputes on publication is available to names from WTO Members, but the process does not invite WTO Members to participate.<sup>348</sup>

(iii) *Consideration by the Panel*

7.393 These claims are made under the national treatment obligations in Article 3.1 of the TRIPS Agreement and Article 2 of the Paris Convention (1967), as incorporated by Article 2.1 of the TRIPS Agreement. The Panel can consider these claims together.

7.394 The parties agree that the regulatory procedure established under Article 15 of the Regulation is as described above. The procedure under Article 15 has been applied to the consideration of particular applications to register GIs located within the European Communities where there was an admissible objection from an EC member State. In several cases the Commission's draft measures were not in accordance with the opinion of the Committee and therefore had to be submitted to the Council of Ministers. In most of these cases the Council did not act and the Commission then adopted the measures.<sup>349</sup> The Council adopted the measures itself in the cases of "Bayerisches Bier", "Aceto Balsamico tradizionale di Modena" and "Aceto Balsamico tradizionale di Reggio Emilia".<sup>350</sup>

7.395 The Panel notes that this regulatory procedure, which is set out in Article 5 of the Comitology Decision, appears to be a standard procedure for the exercise of implementing powers conferred on the European Commission under Community law. However, in the context of this Regulation, the standard regulatory procedure operates in conjunction with the application and objection procedures, which require the EC member States to examine and transmit applications and objections to the Commission.

7.396 Australia's claims rest on the premise that the representatives of the EC member States on the regulatory committee act as representatives of groups who submit an application for registration of a GI located in their respective territories, of persons who wish to object who are resident or established in their respective territories, and of interests in products the subject of an application for registration of a GI located in their respective territories.

7.397 The Panel notes that the regulatory committee must be consulted in cases where the Commission proposes to register a GI and there is an admissible objection. In these cases, the representatives of both the EC member State that forwarded the application and the EC member State that objects participate in the Committee's consideration of the matter, as well as in any action taken by the Council of Ministers. However, according to Article 5(5), the EC member State which transmitted the application has already decided that the application satisfies the requirements of the Regulation and, according to Article 7, the EC member State that objects has already taken the view that there are grounds to do so.

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<sup>346</sup> European Communities' first written submission, para. 154.

<sup>347</sup> European Communities' second oral statement, para. 100.

<sup>348</sup> See Annex C, para. 83.

<sup>349</sup> This included the first registration of "Feta" which was later annulled.

<sup>350</sup> This information was provided by the European Communities in a table of applications for registration on which the Committee established by Article 15 was consulted. See Exhibit EC-28.



7.398 The Panel notes that the Regulation refers to both persons and EC member States, as well as third countries. With respect to applicants, Article 5 of the Regulation refers to an applicant group but an EC member State checks and forwards the application and, thereafter, the Commission communicates with the "Member State concerned". With respect to objections, Article 7(1) grants only the EC member States the right to raise objections to registration before the Commission, whilst Article 7(3) provides that any legitimately concerned natural or legal person may object to the proposed registration by sending its statement to the EC member State in which he resides or is established. Where an objection is acknowledged to be admissible within the meaning of Article 7(4), Article 7(5) provides that the Commission is to ask the "Member States concerned" to seek agreement among themselves: it makes no provision for any intervention by individuals.<sup>351</sup> Articles 6(1), 9 and 11 also refer to the "Member State(s) concerned" in the procedures under the Regulation.<sup>352</sup>

7.399 The Panel recalls that it has already accepted the European Communities' explanation that Community laws are generally not executed through authorities at Community level but rather through recourse to the authorities of its member States which, in such a situation, "act *de facto* as organs of the Community, for which the Community would be responsible under WTO law and international law in general".<sup>353</sup> We note its explanation that:

"When fulfilling their functions under Regulation 2081/92, a Member State is in no way identified with the applicant or the person raising the objection. In verifying the applications or statements of objection, the Member State must correctly, impartially and objectively apply the terms of the Regulation. Similarly, when exercising its role in the Committee, the Member States must be guided by the terms of the Regulation, and not act as a representative of any individual applicant or objecting person."<sup>354</sup>

7.400 The Panel does not consider that these features of the Regulation "as such" compel any different treatment of different GIs. Under the national treatment obligations of the TRIPS Agreement, evidence is required that, in the application of these procedures, the authorities cannot, do not or will not apply the Regulation in the same way to the nationals of other Members and the European Communities' own nationals. Australia has not provided any such evidence.

7.401 Further, Australia's references to procedural fairness, due process and/or transparency in the regulatory committee's decision-making process do not appear to relate to the national treatment obligations, but rather other provisions of the TRIPS Agreement.

7.402 Accordingly, the Panel concludes that Australia has not made a *prima facie* case in support of its claims with respect to the regulatory committee under Article 3.1 of the TRIPS Agreement and Article 2(1) of the Paris Convention (1967), as incorporated by Article 2.1 of the TRIPS Agreement.

(c) National treatment under GATT 1994

(i) *Main arguments of the parties*

7.403 **Australia** argues that the Regulation is inconsistent with Article III:4 of GATT 1994 because the outcome of applications for registration are determined through a process, that is, the Committee of EC member State representatives, "in which there is no representative or advocate for the

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<sup>351</sup> Confirmed by the Court of First Instance of the European Communities in Case T-215/00, *SCEA La Conquete v Commission* [2001] ECR II-181, para. 45, reproduced in Exhibit COMP-12.

<sup>352</sup> Article 11 establishes a process for cancellation due to non-compliance with specifications among "Member States concerned". Article 11a also distinguishes between requests for cancellation by persons and the State which submitted the original application.

<sup>353</sup> European Communities' second oral statement, para. 148.

<sup>354</sup> European Communities' response to Panel question No. 39.

registration of a GI for an imported product and no requirement for procedural fairness, due process and/or transparency concerning that Committee's decision-making process".<sup>355</sup>

7.404 The **European Communities** responds that Australia's claim to have a representative on the Committee is not reasonable. The public authorities of a WTO Member must be presumed to administer their duties properly and fairly. This is independent of the nationality of the civil servants and employees working for such authorities. There are no "EC representatives" in the public authorities and agencies of Australia.<sup>356</sup>

(ii) *Consideration by the Panel*

7.405 The Panel notes that this claim, like those claims in respect of the regulatory committee brought under the TRIPS Agreement, rests on the premise that the representatives of the EC member States on the regulatory committee act as representatives of groups who submit an application for registration of a GI located in their respective territories, of persons who wish to object who are resident or established in their respective territories, and of interests in products the subject of an application for registration of a GI located in their respective territories.

7.406 The Panel recalls its finding at paragraph 7.400 that the relevant features of the Regulation "as such" do not compel any different treatment of different GIs. Under the national treatment obligation in Article III:4 of GATT 1994, evidence is required that, in the application of these procedures, the authorities cannot, do not or will not apply the Regulation in the same way to imported products and EC products and that this accords less favourable treatment. Australia has not provided any such evidence. Accordingly, the Panel concludes that Australia has not made a prima facie case in support of its claim with respect to the regulatory committee under Article III:4 of GATT 1994.

## 5. Labelling requirement

(a) Factual aspects of the labelling requirement in Article 12(2) of the Regulation

(i) *Text of Article 12(2) of the Regulation*

7.407 This claim concerns a labelling requirement in the second indent of Article 12(2) of the Regulation. The parties disagree sharply on the meaning and scope of this provision, read in its context. Therefore, the Panel will begin by quoting Article 12(2) in full before turning to the factual arguments of the parties.

"2. If a protected name of a third country is identical to a Community protected name, registration shall be granted with due regard for local and traditional usage and the practical risks of confusion.

Use of such names shall be authorized only if the country of origin of the product is clearly and visibly indicated on the label."

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<sup>355</sup> Australia's first written submission, para. 177.

<sup>356</sup> European Communities' first written submission, para. 155.

(ii) *Main arguments of the parties*

7.408 **Australia** claims that this labelling requirement applies to the use of GIs from other WTO Members so that use of a GI on a product from another WTO Member can be authorized only if it meets this labelling requirement.<sup>357</sup>

7.409 Australia does not consider that Article 12(2) of the Regulation can apply to the registration of both EC and third country GIs in view of its actual text which expressly relates to a situation where the later registered GI is "a protected name of a third country". As long as it is drafted in that form, the European Communities is not bound to apply the interpretation that it has offered, and the European Court of Justice would enforce the specific terms of the Regulation.<sup>358</sup> Australia also argues that the European Communities' explanation of the country of origin labelling requirement in Article 12(2) is not supported by the actual text of Article 12(2), particularly when read together with Article 6(6), which applies to the registration of a GI located in the European Communities.<sup>359</sup>

7.410 Australia submits that the meaning of "such names" is unclear but understands that it refers to a third country GI protected in that third country and which is identical to a prior GI on the EC register. It submits that the meaning of "protected name of a third country" is ambiguous but, given the context, it assumes that it refers to a third country GI protected in that third country.<sup>360</sup> Later, it argues that the term "Community protected name" refers to a GI already on the register whether from the European Communities or a third country.<sup>361</sup>

7.411 Australia argues that "clearly and visibly indicated" means that the label must be noticeably evident in the same field of vision as the GI and the GI symbol.<sup>362</sup>

7.412 The **European Communities** responds that the second subparagraph of Article 12(2) only applies to the GIs in the situation referred to in its first subparagraph. It only applies in cases of homonyms and not to third country names in general.<sup>363</sup> It confirms that there have been no cases in which this provision has been applied in practice.<sup>364</sup>

7.413 The European Communities argues that "such names" in the second subparagraph refers to both "a protected name of a third country" and a "Community protected name", so that the requirement to indicate the country of origin can apply to both the third country name and the Community name. In practice, this would mean that whichever indication is registered later would normally be required to indicate the country of origin.<sup>365</sup> In both these terms, "protected" means, in principle, "protected under Regulation 2081/92" but "the provision also applies where protection is sought for a protected name from a third country". "Community protected name" covers only protected names of geographical areas located in the EC.<sup>366</sup> Article 12(2) covers both a situation where a third country GI is a homonym of an EC GI already on the register, as well as an EC GI which is a homonym of a third country GI already on the register.<sup>367</sup> "Such names" is written in the

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<sup>357</sup> Australia's first written submission, paras. 220 and 223.

<sup>358</sup> Australia's first oral statement, para. 25; response to Panel question No. 53.

<sup>359</sup> Australia's first written submission, para. 34; first oral statement, para. 26.

<sup>360</sup> Australia's first written submission, paras. 235-236.

<sup>361</sup> Australia's rebuttal submission, para. 65.

<sup>362</sup> Australia's response to Panel question No. 120.

<sup>363</sup> European Communities' first written submission, paras. 445-446 and 475-476.

<sup>364</sup> European Communities' response to Panel question No. 44.

<sup>365</sup> European Communities' first written submission, para. 88 and 134-135; rebuttal submission, para. 145.

<sup>366</sup> European Communities' response to Panel question No. 41.

<sup>367</sup> European Communities' response to Panel question No. 43.

plural which clearly indicates that the requirement can relate to both the EC and third country GIs.<sup>368</sup> Nothing in the wording of the provision prevents it applying to GIs from both third countries and the EC.<sup>369</sup> Even if "Community protected name" referred to EC and third country names already on the register, "protected name of a third country" should be interpreted to include names protected in a third country, whether or not from the European Communities or a third country.<sup>370</sup> In the EC's view, Article 12(2) has no specific link with Article 12(1).<sup>371</sup>

7.414 The European Communities argues that, in cases of homonymous GIs from the European Communities, the last indent of Article 6(6) also requires a clear distinction in practice between them which would normally, in practice, require the indication of the country of origin.<sup>372</sup> The only reason why the last indent of Article 6(6) does not explicitly require the indication of the country of origin is that this provision deals with a wider set of conflicts than Article 12(2).<sup>373</sup> There is no difference between the word "homonymous" in Article 6(6) and "identical" in Article 12(2) as the English definitions of those words are synonymous and the French and Spanish versions use the same term in both provisions.<sup>374</sup> Article 6(6) deals with a wider set of conflicts than Article 12(2), such as homonyms from within the European Communities, homonyms from within the same third country or different third countries.<sup>375</sup> Article 6(6) simply refers to "protected names" from the European Communities and a third country, without specifying which of these is the one the subject of an application and which is already on the register.<sup>376</sup>

7.415 The European Communities argues that "clearly and visibly indicated" must be evaluated in each specific case from the point of view of what a normally attentive consumer can easily notice and not be induced in error as to the origin of the product.<sup>377</sup>

*(iii) Consideration by the Panel*

7.416 The Panel begins by noting that the second indent of Article 12(2) of the Regulation expressly sets out a requirement that concerns what is indicated on "the label" of a product. Therefore, for the sake of brevity, the Panel refers to it as "the labelling requirement".<sup>378</sup> The labelling requirement has not been applied in practice. However, Australia challenges this aspect of the Regulation "as such".

7.417 The meaning of the various terms in the second indent of Article 12(2) is essential to a resolution of this claim. Therefore, it is necessary for the Panel to make an objective assessment of the meaning of this provision, although solely for the purpose of determining the European Communities' compliance with its WTO obligations.<sup>379</sup>

7.418 The parties disagree on the scope of the labelling requirement. Australia does not exclude that it may apply to all GIs from third countries, like the wider context in Article 12, which applies to all GIs from third countries that satisfy the conditions in paragraph 1 and are recognized as equivalent

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<sup>368</sup> European Communities' rebuttal submission, para. 147.

<sup>369</sup> European Communities' second oral statement, para. 81.

<sup>370</sup> European Communities' second oral statement, para. 82.

<sup>371</sup> European Communities' response to Panel question No. 117.

<sup>372</sup> European Communities' first written submission, para. 89; response to Panel question No. 118.

<sup>373</sup> European Communities' first written submission, para. 479.

<sup>374</sup> European Communities' response to Panel question No. 119.

<sup>375</sup> European Communities' response to Panel question No. 42.

<sup>376</sup> European Communities' rebuttal submission, para. 146.

<sup>377</sup> European Communities' response to Panel question No. 120.

<sup>378</sup> The use of this term does not prejudice whether this is a "labelling requirement" as used in Annex 1.1 of the TBT Agreement. That issue is considered at paras. 7.448-7.449.

<sup>379</sup> In this regard, the Panel recalls its comments at para. 7.106.

under paragraph 3. The European Communities responds that it applies only to identical or homonymous GIs, consistent with the immediate context in paragraph 2 of Article 12.

7.419 The Panel observes that the scope of the labelling requirement is indicated by its subject: "[u]se of such names". "Such" is a demonstrative adjective that refers to something previously specified, which expressly requires an examination of the context. The context indicates that "such names" refers to the subject of the previous indent, which is eligible GIs from third countries that are identical to a Community protected name. This is confirmed by the content of the two indents: the first refers to practical risks of confusion, and the second imposes a requirement that a detail be clearly and visibly indicated, which appears to be a specific requirement that addresses the more general consideration in the first. Whilst it is possible to look back further in the context and read the phrase "[u]se of such names" as referring to the names or GIs in the preceding paragraph 1, such a reading is, in our view, constrained. We note that the position of paragraph 2 near the beginning of Articles 12 through 12d might suggest that it is a more general provision, but its position can perhaps be explained by the fact that it is one of the two original provisions on GIs from third countries that predate the insertion of Articles 12(3) and 12a through 12d. The European Communities has confirmed that "such names" refers to the previous indent, which covers only identical GIs. On the basis of the text of the provision, which has not been applied, the Panel agrees.

7.420 Even though Australia understands that the provision only refers to "identical" GIs<sup>380</sup>, the parties disagree on the meaning of "such names". Australia assumes from the context that it refers to the subject of the previous indent, which is "a protected name of a third country" that is identical to a Community protected name. The European Communities responds that it refers not only to "a protected name of a third country" which is identical, but also to the "Community protected name" with which it is identical.

7.421 The Panel considers, once again, that, "such names" refers to the subject of the previous indent, which is eligible GIs from third countries that are identical to a Community protected name. Although the term "a Community protected name" also appears in the previous indent, its registration is not in issue. It appears that the first indent relates only to the registration of GIs from a third country. The second indent attaches a condition to that registration which, logically, only applies to the use of GIs from a third country.

7.422 This reading is confirmed by the wider context in Articles 12 through 12b which relates only to the registration of GIs from third countries. The registration of GIs located within the European Communities is dealt with in Articles 5 through 7. A provision permitting objections to such registrations from persons in third countries was inserted in Article 12d in April 2003. It would be a very special reading if the second indent of Article 12(2) were the sole provision in the scheme of Articles 12 through 12b that attached a condition to registration of GIs located within the European Communities, which is unlikely, given that context. The Panel takes note that the term "such names" is in the plural, unlike "a protected name of a third country" which is in the singular. However, the qualifier "such names" is linked to "the product" which is in the singular, so that the plural form is not determinative of the issue before us.

7.423 Therefore, the Panel concludes that Article 12(2), including the labelling requirement in the second indent, refers only to the registration and use of a GI from a third country that is identical to a "Community protected name." It appears that this refers to a GI that is already registered under the

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<sup>380</sup> The Panel notes that, whilst the English version of the Regulation uses the word "identical" in Article 12(2), two other official versions of the Regulation use words corresponding to the English word "homonymous": these are *homonyme* in the French version and *homónima* in the Spanish version. The Panel assumes that the meaning of the different versions of the text can be reconciled, and uses the word "identical" in relation to Article 12(2) in the English version of this report in such a sense. See further para. 7.467 below.

Regulation, as no party has suggested a reason why it would matter for this requirement where the prior GI was located, as long as it was identical.

7.424 The Panel also notes that the first indent of Article 12(2) contains language almost identical to that found in Article 6(6) of the Regulation. Both refer to registration of names "with due regard for local and traditional usage and the actual risk [or practical risks] of confusion". However, Article 6(6) applies to an application to register a GI located *within the European Communities* which "concerns a homonym of an already registered name from the European Union or a third country recognised in accordance with the procedure in Article 12(3)". Unlike the second indent of Article 12(2), the last tirtet of Article 6(6) sets out the following requirement:

"[T]he use of a registered homonymous name shall be subject to there being a clear distinction in practice between the homonym registered subsequently and the name already on the register, having regard to the need to treat the producers concerned in an equitable manner and not to mislead consumers."

7.425 The Panel will revert to the parallel in the construction of the requirements in Articles 12(2) and 6(6) in its consideration of this claim.

(b) National treatment under the TBT Agreement

(i) *Main arguments of the parties*

7.426 **Australia** claims that the Regulation is inconsistent with Article 2.1 of the TBT Agreement because the labelling requirement in Article 12(2) accords less favourable treatment to imported products.<sup>381</sup> Firstly, it argues that the labelling requirement in Article 12(2) of the Regulation falls within the definition of a "technical regulation" in Annex 1.1 of the TBT Agreement.

7.427 Australia argues that the Regulation applies to an "identifiable group of products" within the meaning of Annex 1.1 of the TBT Agreement because Article 12(2) applies to agricultural products and foodstuffs for which GI protection is sought where the GI is identical to a GI already on the EC register. These are not expressly identified in the Regulation but they are identifiable.<sup>382</sup> Although it applies to GIs, these exist with regard to specific agricultural products or foodstuffs for which the homonymous GIs have been registered.<sup>383</sup>

7.428 Australia argues that the Regulation lays down "product characteristics or their related processes" within the meaning of the definition in Annex 1.1 of the TBT Agreement, in that it sets out a specific labelling requirement. It provides that the use of GIs from other WTO Members will only be authorized "if the country of origin of the product is clearly and visibly indicated on the label." To that extent, the Regulation is a document which "include[s ] ... labelling requirements as they apply to a product" within the meaning of a technical regulation as defined in Annex 1.1 of the TBT Agreement. If this requirement was not considered to relate to a product, it would render the concept of a label meaningless. The words "as they apply to" refer to a product, as opposed to the characteristics of a product. In any case, the origin of a product is inextricably linked to that product by virtue of the definitions of a "designation of origin" and "geographical indication" in Article 2(2)

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<sup>381</sup> Australia's first written submission, para. 241.

<sup>382</sup> Australia's first written submission, paras. 209-213; rebuttal submission, para. 192.

<sup>383</sup> Australia's rebuttal submission, para. 191.

of the Regulation and inherently involves a product. Australia does not argue that "origin" is product characteristic, but that the labelling requirement itself is a product characteristic.<sup>384</sup>

7.429 Australia argues that the labelling requirement is "mandatory" within the meaning of Annex 1.1 of the TBT Agreement because Article 12(2) uses the term "shall". Australia does not dispute that it is not a precondition for the marketing of a product in the European Communities. However, it is mandatory for trading an imported product in the European Communities with a GI in the same competitive conditions as those afforded to a domestic product in the European Communities with a GI. An imported product does not benefit from the protection against unauthorized use provided by registration, nor from the reputation of superior quality engendered by registration.<sup>385</sup>

7.430 Australia submits that the labelling requirement concerns both imported and domestic products that are "like" within the meaning of Article 2.1 of the TBT Agreement. It is sufficient for the Panel to consider the issues in the context of a general presumption of likeness. GIs are intellectual property rights and do not affect the analysis of likeness of the underlying products. Products bearing a GI from an area that straddles the external border of the European Communities could be exactly the same although some would be imported. Further, GI protection under the Regulation concerns unfair competition between products which normally involves a high degree of similarity or likeness. Jurisprudence on Article III:4 of GATT 1994 can be looked to for clarification of the national treatment obligation in Article 2.1 of the TBT Agreement.<sup>386</sup>

7.431 Australia claims that Article 12(2) provides different treatment to imported products because Article 6(6) does not mandate that corresponding domestic products bear a country of origin label.<sup>387</sup> It alleges that this is less favourable treatment because "there are likely to be situations" where the labelling requirement modifies the conditions of competition to the detriment of imported products.<sup>388</sup> Specifically, it creates costs of additional labelling or re-labelling. It does not allege that it accords any other less favourable treatment. It accepts that in some cases existing labels may, coincidentally, satisfy the labelling requirement. However, where a different, or additional, label is required to be produced and attached to a product, this will create extra expense that can be expected to modify the conditions of competition to the detriment of producers of the imported product.<sup>389</sup> The appropriate standard for determining less favourable treatment is that whether the measure modifies the conditions of competition in the relevant market to the detriment of imported products.<sup>390</sup> The European Communities bears the burden of proving that Article XX of GATT 1994 has any significance in the context of the TBT Agreement but it has not presented any supporting arguments.<sup>391</sup>

7.432 Australia accepts that, if the European Communities were to interpret Article 12(2) of the Regulation according to whichever GI was registered later, that this could be expected to overcome its inconsistency with Article 2.1 of the TBT Agreement.<sup>392</sup> However, in the situation covered by Article 12(2) which is the subject of its claim, Article 6(6) of the Regulation has no relevance.<sup>393</sup> It

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<sup>384</sup> Australia's first written submission, paras. 219-220; response to Panel question No. 122 and comment on EC response to that question.

<sup>385</sup> Australia's first written submission, para. 223; rebuttal submission, paras. 195-196.

<sup>386</sup> Australia's first written submission, paras. 226, 230-233; rebuttal submission, para. 207.

<sup>387</sup> Australia's first written submission, para. 237; rebuttal submission, para. 209.

<sup>388</sup> Australia's first written submission, para. 239.

<sup>389</sup> Australia's responses to Panel questions Nos. 52, 120 and 121.

<sup>390</sup> Australia's response to Panel question No. 125.

<sup>391</sup> Australia's comment on EC response to Panel question No. 125.

<sup>392</sup> Australia's response to Panel question No. 53.

<sup>393</sup> Australia's response to Panel question No. 118.

refers to Article 6(6) only in relation to the factual issue of the proper interpretation of Article 12(2).<sup>394</sup>

7.433 Australia argues that a measure implementing matters concerning intellectual property rights is not necessarily excluded from the scope of the TBT Agreement.<sup>395</sup> The assessment of whether a measure is a technical regulation within the meaning of the TBT Agreement is a threshold issue for the application of that agreement but is not determinative of a violation. WTO obligations are generally cumulative.<sup>396</sup>

7.434 Australia argues that the labelling requirement mandates a means of distinguishing an imported product, rather than functioning as a mark of origin *per se*. Even if it is a mark of origin, Article 12(2) is the means by which the Regulation compulsorily differentiates between GIs on imported and domestic products. Article IX:1 of GATT 1994 is silent on the issue of national treatment and marks of origin. However, even if it excludes the application of Article III of GATT 1994, it does not exclude the application of Article 2.1 of the TBT Agreement if the measure is a "technical regulation". Further, even if Article 2.1 did conflict with Article IX, Article 2.1 would prevail in accordance with the General Interpretative Note to Annex 1A to the WTO Agreement.<sup>397</sup>

7.435 The **European Communities** responds that Article 12(2) of the Regulation is not a technical regulation within the meaning of Annex 1.1 of the TBT Agreement.<sup>398</sup> It is not a labelling requirement but merely sets out the conditions under which a GI will be registered in a situation where there are homonyms from the European Communities and a third country.<sup>399</sup>

7.436 The European Communities argues that Article 12(2) does not apply to identifiable products within the meaning of Annex 1.1 because the Regulation itself does not allow one to identify the products which might be affected by the requirement to indicate the country of origin.<sup>400</sup>

7.437 The European Communities argues that Article 12(2) does not lay down product characteristics within the meaning of Annex 1.1 because it does not contain a specific labelling requirement for any specific product. It is not Article 12(2) itself which imposes a labelling requirement but rather, according to Article 4(2)(h), the product specification for an individual GI, which contains the specific labelling details. Further, it does not relate to a product, process or its production method but merely to a product's geographic origin which is different from the product itself. Origin may confer specific characteristics or a reputation on a product which may entitle it for protection as a GI but those issues are already covered by TRIPS and do not need to be addressed by the TBT Agreement. Origin marking is already covered by Article IX of GATT 1994.<sup>401</sup> In addition, the phrase "labelling requirements as they apply to a product" appears to refer to the application of labelling requirements to characteristics of a product, process or production method.<sup>402</sup>

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<sup>394</sup> Australia's response to Panel question No. 121.

<sup>395</sup> Australia's first oral statement, para. 41.

<sup>396</sup> Australia's rebuttal submission, para. 203.

<sup>397</sup> Australia's rebuttal submission, paras. 212-213; responses to Panel question Nos. 123-124.

<sup>398</sup> European Communities' first written submission, paras. 439 and 457.

<sup>399</sup> European Communities' first written submission, para. 449; response to Panel question No. 50.

<sup>400</sup> European Communities' first written submission, para. 447.

<sup>401</sup> European Communities' first written submission, paras. 448-452; responses to Panel question Nos. 50 and 122.

<sup>402</sup> European Communities' response to Panel question No. 122.



7.438 The European Communities argues that Article 12(2) is not mandatory within the meaning of Annex 1.1 because the possibility to apply for GI protection is a right, not an obligation. GI registration is voluntary and not a precondition for the marketing of products.<sup>403</sup>

7.439 The European Communities argues that Australia has failed to establish that products bearing homonymous GIs from the European Communities covered by Article 6(6) and a product from a third country covered by Article 12(2) would be "like". The comparable situation under Article 6(6) is that of two homonymous GIs from the European Communities, not one from the European Communities and one from a third country. It is therefore unnecessary to resolve the meaning of "like products" in Article 2.1 of the TBT Agreement.<sup>404</sup>

7.440 The European Communities argues that Article 12(2) does not accord less favourable treatment because it applies in a non-discriminatory fashion to European Communities and third country GIs. The requirement applies to homonyms from the European Communities and a third country and will be a condition for the registration of the GI for which protection is sought later. Article 6(6) does not explicitly require the indication of a country of origin because it deals with a wider set of conflicts, in particular, homonyms from the same EC member State, where the country of origin would not make a "clear distinction" in practice". It could also deal with other conflicts not resolved by Article 12(2) such as homonyms from the same third country, or different third countries.<sup>405</sup> An indication of the country of origin of the later registered GI avoids practical risks of confusion because, typically, the prior registered GI will have been marketed longer under that GI and be known by consumers. It also takes into account the fact that the prior registration cannot easily be amended.<sup>406</sup> Imported products would not necessarily have to be re-labelled as the country of origin may already be clearly and visibly indicated on the label. Existing marks of origin may be sufficient. The affixation of an additional label clearly and visibly indicating the country of origin would also be sufficient.<sup>407</sup> The legitimate regulatory objectives of the Member concerned must be taken into account in the application of both Article 2.1 and 2.2 of the TBT Agreement. Alternatively, the Panel would have to consider whether Article XX of GATT 1994 is applicable within the context of the TBT Agreement.<sup>408</sup>

7.441 The European Communities argues that the requirement under Article 12(2) is a mark of origin covered by Article IX of GATT 1994, which excludes national treatment obligations. It is not possible to distinguish marks of origin which fall under the TBT Agreement and those which do not. There is no textual basis for distinguishing general origin marking requirements and those which cover only specific products. If Article 12(2) was considered a technical regulation, Article 2.1 of the TBT Agreement could not apply to origin marking requirements lest it render Article IX:1 useless.<sup>409</sup> The European Communities does not argue that there is a conflict, but rather that Article IX:1 and Article 2.1 should be interpreted in a harmonious way that gives meaning to both of them.<sup>410</sup> Finally, Article 1.2 of the Agreement on Rules of Origin deals *inter alia* with Article IX on marks of origin but makes no mention of the TBT Agreement, which would be hard to explain if the TBT Agreement applied to marks of origin.<sup>411</sup>

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<sup>403</sup> European Communities' first written submission, paras. 453-456.

<sup>404</sup> European Communities' response to Panel question No. 51.

<sup>405</sup> European Communities' first written submission, paras. 477-479; response to Panel question No. 42.

<sup>406</sup> European Communities' response to Panel question No. 54.

<sup>407</sup> European Communities' response to Panel question No. 120.

<sup>408</sup> European Communities' response to Panel question No. 125.

<sup>409</sup> European Communities' first written submission, para. 481; first oral statement, para. 72; responses to Panel questions Nos. 123 and 124.

<sup>410</sup> European Communities' second oral statement, para. 245.

<sup>411</sup> European Communities' response to Panel question No. 122.

(ii) *Main arguments of third parties*

7.442 **New Zealand** supports the arguments of Australia in its first written submission that the Regulation is inconsistent with Article 2.1 of the TBT Agreement.<sup>412</sup>

(iii) *Consideration by the Panel*

7.443 This claim concerns Article 12(2) of the Regulation "as such".<sup>413</sup> Article 2.1 provides as follows:

"2.1 Members shall ensure that in respect of technical regulations, products imported from the territory of any Member shall be accorded treatment no less favourable than that accorded to like products of national origin and to like products originating in any other country."

7.444 The Panel considers that the essential elements of an inconsistency with Article 2.1 of the TBT Agreement are, as a minimum, that the measure at issue is a "technical regulation"; that the imported and domestic products at issue are "like products" within the meaning of that provision; and that the imported products are accorded "less favourable" treatment than that accorded to like domestic products. We will consider these elements below.

Technical regulation

7.445 The threshold issue for the Panel to decide is whether the requirement in Article 12(2) of the Regulation is a "technical regulation" within the meaning of the TBT Agreement. If it is not, then Article 2.1 of the TBT Agreement will not be applicable. Annex 1.1 of that agreement provides as follows:

"For the purpose of this Agreement, however, the following definitions shall apply:

1. *Technical regulation*

Document which lays down product characteristics or their related processes and production methods, including the applicable administrative provisions, with which compliance is mandatory. It may also include or deal exclusively with terminology, symbols, packaging, marking or labelling requirements as they apply to a product, process or production method." [Explanatory note omitted]

7.446 The parties refer to the two elements that appear in the text of this definition, namely that a technical regulation is a "[d]ocument which lays down product characteristics or their related processes and production methods, including the applicable administrative provisions" and "with which compliance is mandatory", as well as to the issue that a technical regulation must be applicable to an identifiable product or group of products, explained by the Appellate Body in *EC – Asbestos* and *EC – Sardines*.<sup>414</sup> The Panel will address these in turn.

7.447 The parties disagree as to whether the second indent of Article 12(2) itself *lays down* a labelling detail. In the Panel's view, it clearly does. The text of the second indent of Article 12(2)

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<sup>412</sup> Annex C, para. 124.

<sup>413</sup> In this sub-section will refer to it as the "second indent of Article 12(2)" as the words "labelling requirement" appear in the text of Annex 1.1 of the TBT Agreement.

<sup>414</sup> Australia's first written submission, para. 210, and the European Communities' first written submission, paras. 441-442, both cite the Appellate Body report on *EC – Sardines*, para. 176, which referred to the Appellate Body report on *EC – Asbestos*, paras. 66-70.

expressly sets out the condition that the country of origin must be clearly and visibly indicated on the label. Even though the product specifications under Article 4.2(h) lay down the labelling details for products relating to each individual GI as it is registered, this does not alter the terms of Article 12(2).

7.448 The parties disagree as to whether the second indent of Article 12(2) of the Regulation lays down a *product characteristic*. The Panel notes that it expressly sets out a requirement that concerns what must be indicated on "the label" of a product. That is a labelling requirement.<sup>415</sup> The second sentence of the definition of "technical regulation" in Annex 1.1 of the TBT Agreement expressly refers to "labelling requirements" as an example of a technical regulation.

7.449 The Panel notes that this example in the definition in Annex 1.1 is qualified by the words "as they apply to a product, process or production method". The text does not limit the scope of the example by stating what the labels must indicate in order for them to constitute a technical regulation. Rather, they explain to what the labelling requirements "apply". This simply means that a requirement concerning a product label is a labelling requirement that applies to a product. The context shows that the subject of the second sentence, "[i]t" refers back to the noun "[d]ocument" as qualified by the relative clause beginning "which lays down" and ending with the word "mandatory". Were this not so, the element that "compliance is mandatory", for example, would not apply to the items described in the second sentence, which would be contrary to the object and purpose of the obligations concerning technical regulations. As a result, a document that "deal[s] exclusively with ... labelling requirements as they apply to a product" can be an example of a "[d]ocument that lays down product characteristics". The issue is not whether the content of the label refers to a product characteristic: the label on a product *is* a product characteristic. Therefore, the second indent of Article 12(2) of the Regulation deals exclusively with a labelling requirement "as it applies to a product".

7.450 In any event, the second indent of Article 12(2) requires that the country of origin be clearly and visibly indicated on the label of a product in order to provide a means of identification where two GIs are identical. In the Panel's view, the purpose of this requirement is indicated by the first indent of Article 12(2), namely, that it is a means to avoid the practical risks of confusion. In other words, it is a means of identification. In this respect, the Panel agrees with the view of the Appellate Body in *EC – Asbestos* and *EC – Sardines* that a means of identification is, itself, a product characteristic.<sup>416</sup>

7.451 In summary, a document that lays down a requirement that a product label must contain a particular detail, in fact, lays down a product characteristic. This interpretation is consistent with a Decision of the TBT Committee in which Members agreed as follows:

"In conformity with Article 2.9 of the Agreement, Members are obliged to notify all mandatory labelling requirements that are not based substantially on a relevant international standard and that may have a significant effect on the trade of other Members. That obligation is not dependent upon the kind of information which is provided on the label, whether it is in the nature of a technical specification or not."<sup>417</sup>

7.452 Therefore, the Panel considers that the second indent of Article 12(2) is a "[d]ocument which lays down product characteristics or their related processes and production methods, including the applicable administrative provisions" and a labelling requirement that applies to a product, within the meaning of the definition of "technical regulation".

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<sup>415</sup> It is not contested that it cannot be a labelling requirement because it only lays down one product characteristic.

<sup>416</sup> Appellate Body reports on *EC – Asbestos*, para. 67, and *EC – Sardines*, para. 191.

<sup>417</sup> "Decisions and Recommendations adopted by the Committee since 1 January 1995", document G/TBT/1/Rev. 8 of 23 May 2003.

7.453 The Panel will now consider whether *compliance is mandatory* with the second indent of Article 12(2) of the Regulation. The ordinary meaning of the word "mandatory" can be defined in the case of an action as "obligatory in consequence of a command, compulsory. (Foll. by *upon*)".<sup>418</sup> The second indent uses the word "shall", which indicates that it is mandatory for products subject to Article 12(2) to obtain the benefits of registration under the Regulation.

7.454 As to the European Communities' argument that this is not a mandatory requirement in order to market the relevant products in the European Communities, the Panel notes the approach taken to a similar argument made by the European Communities in a previous dispute. The panel in that dispute recalled that a document may require positively that a product contain certain characteristics or it may require negatively that the product not possess certain characteristics. That panel reasoned that, by requiring the use of a particular type of product under a particular trade description, the measure at issue in effect lay down product characteristics in a negative form, that is, by excluding other products from being marketed under that description.<sup>419</sup>

7.455 In the present dispute, the Panel notes that only products that comply with a product specification in a GI registration may use the indications PDO, PGI or equivalent national indications. Further, agricultural products and foodstuffs bearing an unregistered identical GI may not be marketed in the European Communities under that name where they infringe prior registered GIs which, given that the GI is identical, appears inevitable unless the products are not comparable.

7.456 The second indent of Article 12(2) makes a distinction between those products using a GI identical to a Community protected name that satisfy the labelling requirement, and those which do not. The negative implication that follows from this requirement is that products with a GI identical to a Community protected name that do not satisfy this labelling requirement must *not* use the indications PDO, PGI or equivalent national indications and, to the extent that they fall within the protection granted to a prior identical Community protected name, must *not* be marketed in the European Communities using that GI. Therefore, the second indent of Article 12(2) is an obligatory or mandatory requirement.

7.457 The Panel agrees with the view of the Appellate Body that compliance would be impossible with a technical regulation if it were not applicable to identifiable products.<sup>420</sup> The parties disagree as to whether the second indent of Article 12(2) applies to an identifiable product. It refers to "the product" but does not name any product. However, Article 12(2) forms part of the Regulation which has a defined product coverage described in Article 1(1) as those agricultural products intended for human consumption referred to in Annex I to the EC Treaty, the foodstuffs listed in Annex I to the Regulation and the agricultural products listed in Annex II to the Regulation, subject to certain exceptions for wine-sector products, except wine vinegars or spirit drinks. A procedure is specified for the amendment of the product coverage in Annexes I and II to the Regulation. That is a large, but defined, group of products. Article 12(2) is applicable to them all, although it lays down a specific requirement that is only triggered where a name is identical to a Community protected name. The identical criterion permits identification of the products to which this requirement will apply in a given case. To date, there have not been any.

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<sup>418</sup> *The New Shorter Oxford English Dictionary* (1993).

<sup>419</sup> Panel report on *EC – Sardines*, paras. 7.43-7.45, citing the Appellate Body report on *EC – Asbestos*, para. 69.

<sup>420</sup> "A 'technical regulation' must, of course, be applicable to an *identifiable* product, or group of products. Otherwise, enforcement of the regulation will, in practical terms, be impossible": Appellate Body report in *EC – Asbestos*, para. 70, cited in *EC – Sardines*, para. 185.

7.458 Therefore, the Panel considers that compliance is mandatory with the second indent of Article 12(2) of the Regulation, within the meaning of the definition of "technical regulation", and that this requirement applies to identifiable products.

7.459 Accordingly, the Panel's preliminary finding is that the labelling requirement is a "technical regulation" within the meaning of the definition in the TBT Agreement and that Article 2.1 of that agreement may be applicable.

7.460 The European Communities argues that this labelling requirement cannot be subject to the national treatment obligation in Article 2.1 of the TBT Agreement due to the terms of Article IX of GATT 1994 on marks of origin.

7.461 The Panel considers it unnecessary to reach a definitive view on this issue, in view of its findings below on "less favourable treatment". It suffices for the purposes of this dispute to note that the definition of a "technical regulation" in Annex 1.1 and the preamble to the TBT Agreement specifically include "marking and labelling requirements" without any indication that marks of origin are excluded.<sup>421</sup> Article 1.4 and 1.5 specifically exclude certain purchasing specifications addressed in the Agreement on Government Procurement and sanitary and phytosanitary measures as defined in the SPS Agreement, but there is no express exclusion for marks of origin.<sup>422</sup> In any event, it has not been shown that Article 12(2) of the Regulation is, in fact, a requirement to display a mark of origin.<sup>423</sup>

7.462 The Panel also recalls the views of the Appellate Body in *EC – Asbestos* and *EC – Sardines* that, when examining whether a measure is a technical regulation, "the proper legal character of the measure at issue cannot be determined unless the measure is examined as a whole".<sup>424</sup> The second indent of Article 12(2) is a small part of the Regulation which applies in a narrow circumstance. Clearly, the Regulation is an intellectual property measure but the parties do not ask the Panel to take a position on whether the product specifications required under Article 4(2) are technical regulations and the inspection structures required under Article 10 are conformity assessment procedures within the meaning of the TBT Agreement.<sup>425</sup> The characterization of the whole measure is therefore a

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<sup>421</sup> Many Members, including the parties to this dispute, have notified marks and labels of origin to the TBT Committee. See, for example, G/TBT/Notif.95.155, G/TBT/Notif.95.106, G/TBT/Notif.95.438, G/TBT/Notif.96.42, G/TBT/Notif.96.269, G/TBT/Notif.96.364, G/TBT/Notif.96.450, G/TBT/Notif.97.112, G/TBT/Notif.97.113, G/TBT/Notif.98.206, G/TBT/Notif.98.448, G/TBT/Notif.99.548, G/TBT/Notif.99.668, G/TBT/Notif.00.65, G/TBT/Notif.00.94, G/TBT/Notif.00.289, G/TBT/Notif.00.483, G/TBT/N/ARG/7, G/TBT/N/ARG/9, G/TBT/N/JPN/7, G/TBT/N/JPN/12, G/TBT/N/PER/A, G/TBT/N/CHL/33, G/TBT/N/THA/92, G/TBT/N/THA/94, G/TBT/N/USA/25, G/TBT/N/JPN/78, G/TBT/N/GBR/7, G/TBT/N/JPN/123, G/TBT/N/JPN/124, G/TBT/N/KOR/76, G/TBT/N/ISR/36 and G/TBT/N/ISR/42. Further, there was a general understanding among signatories of the Tokyo Round TBT Agreement, recorded in the 1994 Annual Report of the Committee established under that agreement, that mandatory marking requirements applied in the context of marking the origin of products were covered by the provisions of that agreement, but one signatory (not a party to the current dispute) could not join a consensus on that issue: see GATT document L/7558 of 30 November 1994 in BISD 41S/718 at 719. The Tokyo Round TBT agreement, like the current TBT Agreement, referred to "marking and labelling requirements".

<sup>422</sup> This implies no view as to whether Article IX of GATT 1994, which includes an MFN treatment obligation but no national treatment obligation, impliedly excludes marks of origin from the scope of the obligation in Article III:4 of GATT 1994. That is an issue which need not, and do not, decide.

<sup>423</sup> See, for example, the GATT CONTRACTING PARTIES Recommendation of 21 November 1958 on marks of origin, para. 5, "Countries should accept as a satisfactory marking the indication of the name of the country of origin in the English language introduced by the words 'made in'": BISD 7S/30. That example shows that a mark of origin can be different from the labelling requirement at issue.

<sup>424</sup> Appellate Body reports in *EC – Asbestos*, para. 64, and *EC – Sardines*, paras. 192-193.

<sup>425</sup> See the parties' respective responses to Panel question No. 60 and the European Communities' response to Panel question No. 134.

complex issue on which there has been little argument and which the Panel considers unnecessary to decide for the purposes of this claim.

#### Like products

7.463 Article 2.1 of the TBT Agreement refers to "products imported from the territory of any Member" and *inter alia* "like products of national origin". An essential element of a claim under Article 2.1 is the existence of like products. Australia submits that it is sufficient for the Panel to consider the issues in the context of "a general presumption of likeness". The European Communities contests the likeness of products within the meaning of Article 2.1 of the TBT Agreement. The Panel considers it unnecessary to reach any view on this issue, in view of the findings below on "less favourable treatment".

#### Less favourable treatment

7.464 Article 2.1 of the TBT Agreement refers to "treatment no less favourable". An essential element of a claim under Article 2.1 is that, in respect of technical regulations, the treatment accorded to imported products is "less favourable" than that accorded to like products of national origin. The Panel notes the similarity in the terms used in Article 2.1 of the TBT Agreement and Article III:4 of GATT 1994, which also refers to "treatment no less favourable". The preamble to the TBT Agreement expressly sets out the desire "to further the objectives of GATT 1994". However, in view of its findings below, the Panel considers it sufficient for the purposes of this dispute simply to observe that the starting point for this analysis must be whether the measure at issue accords any difference in treatment.

7.465 Australia claims that the treatment accorded under the labelling requirement for GIs located in third countries, including WTO Members, is less favourable than that accorded to GIs located within the European Communities.

7.466 The Panel has found at paragraph 7.423 that the labelling requirement only applies to products bearing GIs from third countries that are identical to a Community protected name. This is a narrow circumstance.

7.467 The Panel notes that Articles 12(2) and 6(6) share almost identical language that indicates that the purpose of each provision is to minimize actual, or practical, risks of confusion between the use of two registered identical or homonymous GIs. An obvious difference in the English version is that Article 12(2) uses the word "identical" and Article 6(6) uses the word "homonymous". However, two other official versions of the Regulation use the same word in both provisions (*homonyme* in French and *homónima* in Spanish). The Panel assumes that the meaning of the different versions of the text can be reconciled, and that, therefore, the words in Articles 12(2) and 6(6) can have the same meaning in English as well.

7.468 Both requirements are mandatory, providing that use "shall" be authorized only if a particular condition is met or "shall" be subject to a particular condition. However, there is a formal difference in that Article 12(2) states the condition expressly by providing that "the country of origin of the product is clearly and visibly indicated on the label". In contrast, Article 6(6) states the condition in terms of factors that "a clear distinction in practice between the homonym registered subsequently and the name already on the register, having regard to the need to treat the producers concerned in an equitable manner and not to mislead consumers".

7.469 The Panel does not consider that the mere fact that imported products and products of European Communities' origin are subject to different legal provisions is in itself conclusive in establishing an inconsistency with the national treatment obligation in Article 2.1 of the TBT

Agreement. Nor is it conclusive that the indication of the "country of origin" is both mandatory and express in the Regulation for imported products only, since the Regulation does not mandate that the European Communities must *not* impose the same labelling requirement on domestic products.

7.470 The European Communities explains that the difference in wording of the relevant provisions is due to the fact that Article 6(6) applies to a wider class of GIs. For example, it could apply to identical GIs located in different EC member States, as well as to a GI within the European Communities identical to a GI located in a third country, which Article 12(2) does not.

7.471 The essential point is that nothing in the text appears to prevent the European Communities implementing the two requirements in the same manner where an application is made to register a GI, whether located within the European Communities or in a third country, that is identical to a prior registered GI. It appears that the wording of Article 6(6) of the Regulation permits the European Communities to apply the same condition found in the text of Article 12(2) so that both requirements would be applied to the GI registered later in time, irrespective of the origin of the product or the location of the GI. The European Communities has confirmed to the Panel that the clear distinction in practice would normally require the indication of the country of origin.<sup>426</sup>

7.472 Australia accepts that, if the European Communities were to interpret Article 12(2) of the Regulation according to whichever GI was registered later in time, this could be expected to overcome its inconsistency with Article 2.1 of the TBT Agreement.<sup>427</sup> Although it later argued that Article 6(6) was of no relevance, the Panel does not agree for the reasons set out above.

7.473 Australia has not provided any evidence that the formal difference in the wording of the two requirements leads to any difference in treatment nor that it accords any different treatment to imported products. It has not provided evidence that, where the European Commission applies the same condition under the labelling requirement in Article 12(2) and the last tier of Article 6(6), that such a practice would not survive a legal challenge before the European Court of Justice.

7.474 The Panel recalls the European Communities' submission that, according to the settled case law of the European Court of Justice, "Community legislation must, so far as possible, be interpreted in a manner that is consistent with international law".<sup>428</sup>

7.475 Therefore, for the above reasons, in particular, the confirmation by the European Communities that the clear distinction in practice under Article 6(6) would normally require the indication of the country of origin, the Panel concludes that Australia has not made a *prima facie* case in support of this claim.

7.476 Accordingly, it is unnecessary for the Panel to consider whether an assessment of conformity with Article 2.1 of the TBT Agreement requires reference to be had to the regulatory objective pursued by a measure as referred to in Article 2.2 of the TBT agreement, or the absence in the text of the TBT Agreement of a general exceptions provision such as Article XX of GATT 1994.

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<sup>426</sup> European Communities' first written submission, para. 479; response to Panel question No. 118.

<sup>427</sup> Australia's response to Panel question No. 53.

<sup>428</sup> See *supra* at 172.

C. TRADE-RESTRICTIVENESS CLAIM

1. Inspection structures

(a) Description of inspection structures (Articles 4.2(g), 10 and 12a of the Regulation)

7.477 The condition in Article 12(1) of the Regulation that a "third country ... has inspection arrangements ... equivalent to those laid down in this Regulation" was considered earlier as one of the equivalence and reciprocity conditions. That is a per-country condition. The condition at issue here concerns the inspection structures required by Article 10 of the Regulation under the procedures for registration of individual GIs. This is, allegedly, a per-product requirement.

7.478 The Panel continues its examination in respect of these particular requirements, bearing in mind the aim of the dispute settlement mechanism, which is to secure a positive solution to a dispute<sup>429</sup>, and the views of the Appellate Body in *Australia – Salmon* on the principle of judicial economy.<sup>430</sup> Were the Panel not to examine the claim with respect to the inspection structures requirements within the application procedures, its conclusion on the inspection structures condition in Article 12(1) would not enable the DSB to make sufficiently precise recommendations and rulings so as to allow for prompt compliance in order to ensure effective resolution of this dispute.

7.479 An application for registration of a GI must be accompanied by certain documents. The first is the product specification. Article 5(3) provides as follows with respect to an application to register a GI located within the European Communities:

"3. The application for registration shall include the product specification referred to in Article 4."

7.480 Article 12a(1) of the Regulation provides as follows with respect to applications to register GIs located in third countries:

"1. Applications must be accompanied by the specification referred to in Article 4 for each name."

7.481 With respect to the specification, Article 4 provides as follows:

"1. To be eligible to use a protected designation of origin (PDO) or a protected geographical indication (PGI) an agricultural product or foodstuff must comply with a specification.

2. The product specification shall include at least: (...)

(g) details of the inspection structures provided for in Article 10;"

7.482 A specification refers to a particular product and the list of items that Article 4 requires to be included in a product specification all appear to be product-specific.

7.483 Applications to register GIs located in third countries must also be accompanied by a declaration by a third country government. Article 12a(2)(b) of the Regulation provides for a third country to transmit to the Commission an application to register a GI located in its territory accompanied by:

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<sup>429</sup> Article 3.7 of the DSU.

<sup>430</sup> Appellate Body report on *Australia – Salmon*, para. 223.



"(b) a declaration that the structures provided for in Article 10 are established on its territory."

7.484 This declaration is not required of an EC member State when it transmits to the Commission an application to register a GI located within the European Communities. However, EC member States have an obligation under Article 10 itself to ensure that inspection structures are in place. The European Communities confirms that the requirements are the same for EC member States and third countries.<sup>431</sup>

7.485 Article 10(1) explains that the function of inspection structures is "to ensure that agricultural products and foodstuffs bearing a protected name meet the requirements laid down in the specifications". Article 10(2) provides that an "inspection structure" may comprise one or more "designated inspection authorities and/or private bodies approved for that purpose" by the EC member State. Article 10(3) lays down requirements regarding the characteristics and duties of the inspection authorities and/or private bodies but not the product-specific requirements which appear in product specifications. We highlight the requirements for inspection authorities under Article 10(3) which are relevant to the claims below.

7.486 The characteristics of the inspection authorities and/or private bodies include the following:

"Designated inspection authorities and/or approved private bodies must offer adequate guarantees of objectivity and impartiality with regard to all producers or processors subject to their control and have permanently at their disposal the qualified staff and resources necessary to carry out inspection of agricultural products and foodstuffs bearing a protected name."

7.487 The inspection authorities and/or private bodies may outsource certain functions as follows:

"If an inspection structure uses the services of another body for some inspections, that body must offer the same guarantees. In that event, the designated inspection authorities and/or approved private bodies shall, however, continue to be responsible *vis-à-vis* the Member State for all inspections."

7.488 The applicable standards for private bodies are described as follows:

"As from 1 January 1998, in order to be approved by the Member States for the purpose of this Regulation, private bodies must fulfil the requirements laid down in standard EN 45011 of 26 June 1989.

The standard or the applicable version of standard EN 45011, whose requirements private bodies must fulfil for approval purposes, shall be established or amended in accordance with the procedure laid down in Article 15.

The equivalent standard or the applicable version of the equivalent standard in the case of third countries recognised pursuant to Article 12(3), whose requirements private bodies must fulfil for approval purposes, shall be established or amended in accordance with the procedure laid down in Article 15."

7.489 Standard EN 45011 sets out "General requirements for bodies operating product certification systems". It specifies general requirements that a third party operating a product certification system shall meet if it is to be recognized as competent and reliable. These include requirements relating to

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<sup>431</sup> European Communities' response to Panel question No. 126(a).

the certification body itself and its personnel; changes in the certification requirements; applications for, evaluation of, and decisions on, certification; surveillance; use of licences, certificates and marks of conformity; and complaints to suppliers. It applies for EC member States although the European Communities has not yet established the standard or the applicable version of that standard on the basis of Article 10(3) of the Regulation.

7.490 Standard EN 45011 is a European standard that takes over the text of ISO/IEC Guide 65:1996 prepared by the ISO Committee on Conformity Assessment (CASCO). The European Communities has not established an equivalent standard in the case of third countries, but the European Communities informs the Panel that ISO/IEC Guide 65:1996 is an example of such an equivalent international standard.<sup>432</sup>

7.491 The responsibilities of governments are set out in Article 10(1) and (2).<sup>433</sup> Governments must ensure that inspection structures are in place by designating a public inspection authority and/or approving a private inspection body and then notify them to the Commission. Where the government designates a public inspection authority, it carries out inspections itself. Where the government approves a private inspection body, it must ascertain that the private body is capable of fulfilling its functions in accordance with Article 10(1) and meets the requirements of Article 10(3), set out above. The basic criterion for the approval process is that the private body can effectively ensure that products comply with a specification. After designation and/or approval, the government is responsible for continued monitoring that an approved private body continues to meet the requirements.<sup>434</sup>

(b) Trade-restrictiveness under the TBT Agreement

(i) *Main arguments of the parties*

7.492 **Australia** claims that the inspection structures required by Articles 4, 10 and 12(1) of the Regulation are inconsistent with Article 2.2 of the TBT Agreement. Article 10 requires that EC member States have in place these inspection structures. Article 12a(2)(b) requires that other WTO Members provide a declaration that the structures provided for in Article 10 are established in its territory.<sup>435</sup>

7.493 Australia argues that the Regulation is a "technical regulation" within the definition in Annex 1.1 of the TBT Agreement because Articles 10 and 4 (in particular Article 4.2(g)) together require inspection structures to check that products using a GI comply with the product specifications in the GI registration. Article 4.2(b) and (e) provide that product specifications include "product characteristics". The process of checking compliance with the specifications is a regular sequence of actions, i.e. a process, and falls within the meaning of "product characteristics or their related processes".<sup>436</sup>

7.494 Australia does not take a position on whether the definitions of "technical regulation" and "standard" and the definition of a "conformity assessment procedure" in Annex 1 are necessarily mutually exclusive, but agrees that a conformity assessment procedure requires at the very least a

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<sup>432</sup> The European Communities supplied copies of EN 45011 and ISO/IEC Guide 65:1996 to the Panel in Exhibits EC-2 and EC-3, respectively. See European Communities' response to Panel question No. 126(c).

<sup>433</sup> Article 10(1) and (2) refers to EC member States but, in conjunction with Article 12a(2)(a), they also apply to the governments of third countries.

<sup>434</sup> Uncontested information provided by the European Communities in its responses to Panel question Nos. 127 and 132.

<sup>435</sup> Australia's first written submission, para. 249.

<sup>436</sup> Australia's first written submission, paras. 221-222, 224; rebuttal submission, paras. 201-202; response to Panel question No. 133 and comment on EC response to Panel question No. 134.

separate technical regulation or standard against which products are to be assessed.<sup>437</sup> Australia submits that it is irrelevant to this claim whether or not the Regulation is an intellectual property measure and also subject to another WTO covered agreement.<sup>438</sup>

7.495 Australia argues that the inspection structure requirements are mandatory for products that use a registered GI. Therefore, they are mandatory for trading an imported product in the same competitive conditions as those afforded to a domestic product that uses a registered GI. Australia does not dispute that inspection structures, and GI registration, are not a precondition for the marketing of a product in the EC.<sup>439</sup>

7.496 Australia does not contest that the Regulation could pursue legitimate objectives or that it is capable of generally fulfilling those legitimate objectives.<sup>440</sup> It argues that the Regulation is more trade restrictive than necessary to fulfil its legitimate objective, taking account of the risks non-fulfilment would create, contrary to Article 2.2 of the TBT Agreement. Its claim is based on the allegation that the Regulation imposes an "absolute requirement" for an EC model inspection structure as a condition for the registration of a GI, irrespective of the circumstances in the Member in which the GI is located or of the circumstances of the trade in the relevant products.<sup>441</sup>

7.497 Australia argues that the Regulation mandates the type of structure or design for inspection that other WTO Members must have in place. Such a requirement cannot be necessary to fulfil the Regulation's legitimate objective unless the European Communities had determined that no other systems in any WTO Member would in any circumstances provide the same degree of assurance as its own system.<sup>442</sup> Inspection structures in a WTO Member where the good is produced is meaningless where the unauthorized use involving goods from a third country WTO Member occurs in the European Communities.<sup>443</sup>

7.498 Australia does not contest that inspection structures may be required with respect to a specific product for which protection is sought or that some type of compliance verification mechanism may be necessary in most cases. Nor does it consider that government involvement is necessarily problematic.<sup>444</sup> It challenges the fact that the Regulation dictates specific design features: Article 10(3) provides that an inspection structure must have permanently have at its disposal the necessary qualified staff, yet temporary staff may be all that is necessary to provide the required level of assurance<sup>445</sup>; Article 10 does not allow for the possibility that inspection structures might be unnecessary<sup>446</sup>; Article 12a(2)(b) requires a declaration as to the structures provided for in Article 10, which excludes alternative measures that are not inspection structures at all, such as systems of laws. However, Australia does not challenge these specific elements, rather it challenges the fact that the Article 10-type inspection structure is imposed on other WTO Members regardless of their existing inspection structures or other systems that would perform the same function.<sup>447</sup>

7.499 Australia argues that alternative measures can achieve the EC's legitimate objectives with the same degree of effectiveness, such as laws against misleading and deceptive commercial practices enforced by an investigating authority, which may operate in conjunction with food labelling laws

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<sup>437</sup> Australia's response to Panel question No. 60.

<sup>438</sup> Australia's rebuttal submission, para. 203.

<sup>439</sup> Australia's first written submission, paras. 221-222, 224; rebuttal submission, paras. 195-197.

<sup>440</sup> Australia's first written submission, paras. 247-248.

<sup>441</sup> Australia's response to Panel question No. 58.

<sup>442</sup> Australia's first written submission, paras. 249-254.

<sup>443</sup> Australia's first written submission, para. 256.

<sup>444</sup> Australia's rebuttal submission, para. 219; response to Panel question No. 128.

<sup>445</sup> Australia's rebuttal submission, para. 217.

<sup>446</sup> Australia's first written submission, para. 255; rebuttal submission, para. 217.

<sup>447</sup> Australia's second oral statement, paras. 94-95.

enforced by a food authority. These authorities could ensure that products comply with their specifications and address any risks created by non-fulfilment. Further alternative measures include the tort of passing off, industry certifications, self-regulation by producers and consumer protection mechanisms.<sup>448</sup>

7.500 The **European Communities** responds that none of these provisions are a "*technical regulation*" within the meaning of the TBT Agreement. Article 4 does not lay down product characteristics for specific products. These characteristics are contained in the application for registration. Article 4 simply sets out the requirements with which a product specification must comply in order to permit GI registration. The product characteristics are contained in an individual GI application.<sup>449</sup> Inspection structures are not "related processes" within the definition of a technical regulation in Annex 1.1 of the TBT Agreement because they are not related to the product characteristics and, if they were, then all conformity assessment procedures would be technical regulations which would lead to a systematic overlap between the various provisions of the TBT Agreement.<sup>450</sup>

7.501 The European Communities submits that the purpose of Article 4.2(g) in conjunction with Article 10 is to ensure conformity with the product specification, not to lay down product characteristics. The TBT Agreement makes a clear distinction between technical regulations and standards in Articles 2 to 4 and procedures to assess conformity with them in Articles 5 to 9. The dividing line between them is perfectly clear in the definitions in Annex 1. This claim does not fall within Article 2 but appears to fall within Articles 5 to 9 of the TBT Agreement.<sup>451</sup> The inspection structure requirements are not a technical regulation. They cannot be both a technical regulation and a *conformity assessment procedure*.<sup>452</sup> It does not contest that a conformity assessment procedure assesses conformity with a technical regulation or a standard as defined in Annex 1.3 of the TBT Agreement but does not consider it necessary for the Panel to decide whether the inspection structures are indeed conformity assessment procedures. It does not contend that the general requirement that a GI must correspond to certain product specifications constitutes a technical regulation since it is merely a condition for the grant of an intellectual property right. A different question would be whether individual product specifications for individual GIs would be technical regulations but that is an issue which the Panel does not need to address.<sup>453</sup>

7.502 The European Communities argues that Articles 4 and 10 are not *mandatory* because GI protection is voluntary. It is not a precondition for placing products on the market.<sup>454</sup>

7.503 The European Communities argues that the existence of inspection structures is *not more trade-restrictive than necessary* because it is only required with respect to the specific product for which protection is sought; it does not determine the specific design of the inspection structures; and they are necessary to achieve the legitimate objectives of the Regulation. Unfair competition laws might be adequate to implement GI protection under Article 22.2 of the TRIPS Agreement but Article 1.1 allows Members to implement more extensive protection. This discretion under Article 1.1 cannot be limited on the basis of Article 2.2 of the TBT Agreement.<sup>455</sup> The European

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<sup>448</sup> Australia's first written submission, paras. 258-260; response to Panel question No. 62; rebuttal submission, para. 219.

<sup>449</sup> European Communities' first written submission, paras. 464-465.

<sup>450</sup> European Communities' second oral statement paras. 246-247.

<sup>451</sup> European Communities' first written submission, paras. 460-463.

<sup>452</sup> European Communities' rebuttal submission, para. 406; response to Panel question No. 133.

<sup>453</sup> European Communities' second written submission, paras. 407-408.

<sup>454</sup> European Communities' first written submission, para. 467.

<sup>455</sup> European Communities' first written submission, paras. 484-501.

Communities refers to its arguments on this point in relation to the claim under national treatment obligations of the TRIPS Agreement.<sup>456</sup>

7.504 The European Communities refers to the conformity assessment procedures foreseen in Article 6 of the TBT Agreement. Nothing in that agreement obliges Members simply to accept conformity assessment carried out by bodies of another Member. While Article 6.1 of the TBT Agreement stipulates that Members ensure, whenever possible, that they accept the results of conformity assessment procedures in other Members, this only applies when certain conditions are fulfilled. Article 6.3 encourages Members to enter into negotiations for the mutual recognition of conformity assessment procedures. Article 6.4 encourages Members to permit participation of conformity assessment bodies located in the territories of other Members in their conformity assessment procedures but it is not a legal obligation to permit such participation. Australia has concluded a mutual recognition agreement which permits bodies designated by those countries to carry out conformity assessment with respect to EC standards and vice versa.<sup>457</sup> Australia has failed to explain why government involvement in designation of inspection bodies is problematic.<sup>458</sup>

(ii) *Main arguments of third parties*

7.505 **New Zealand** supports the arguments of Australia in its first written submission that the Regulation is inconsistent with Article 2.2 of the TBT Agreement.<sup>459</sup>

(iii) *Consideration by the Panel*

7.506 This claim is made under Article 2.2 of the TBT Agreement, which provides as follows:

"2.2 Members shall ensure that technical regulations are not prepared, adopted or applied with a view to or with the effect of creating unnecessary obstacles to international trade. For this purpose, technical regulations shall not be more trade-restrictive than necessary to fulfil a legitimate objective, taking account of the risks non-fulfilment would create. Such legitimate objectives are, *inter alia*: national security requirements; the prevention of deceptive practices; protection of human health or safety, animal or plant life or health, or the environment. In assessing such risks, relevant elements of consideration are, *inter alia*: available scientific and technical information, related processing technology or intended end-uses of products."

7.507 The threshold issue for the Panel to decide is whether the inspection structures requirements under Article 10 of the Regulation, read together with the product specifications of Article 4 of the Regulation, are a "technical regulation" within the meaning of the TBT Agreement. We note, once again, that the definition of that term in Annex 1.1 provides as follows:

"For the purpose of this Agreement, however, the following definitions shall apply:

1. *Technical regulation*

Document which lays down product characteristics or their related processes and production methods, including the applicable administrative provisions, with which compliance is mandatory. It may also include or deal exclusively with terminology,

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<sup>456</sup> European Communities' rebuttal submission, paras. 415.

<sup>457</sup> European Communities' response to Panel question No. 131.

<sup>458</sup> European Communities' comment on Australia's response to Panel question No. 128.

<sup>459</sup> Annex C, para. 124.

symbols, packaging, marking or labelling requirements as they apply to a product, process or production method." [Explanatory note omitted]

7.508 The Panel will first examine whether Articles 4 and 10, read together, are a "[d]ocument which lays down product characteristics or their related processes and production methods, including the applicable administrative provisions". If they are not, they cannot be a technical regulation within the meaning of this definition and it is unnecessary to examine whether "compliance [with it] is mandatory" or whether it applies to identifiable products.<sup>460</sup>

7.509 Australia claims that the inspection structures requirements lay down a "process" which is related to an identifiable group of products. Whilst it appears that the specification for a particular product described in Article 4 must lay down product characteristics and related production methods, Australia has not pursued a claim in respect of product specifications except insofar as they relate to the inspection structures requirements.

7.510 The Panel must consider whether the inspection structures requirements, read together with Article 4 of the Regulation, are a "process" within the meaning of the definition of a "technical regulation". The ordinary meaning of the term "process" can be defined as follows:

"A thing that goes on or is carried on; a continuous series of actions, events or changes; a course of action, a procedure; *esp.* a continuous and regular action or succession of actions occurring or performed in a definite manner; a systematic series of actions or operations directed to some end, as in manufacturing, printing, photography, etc."<sup>461</sup>

7.511 Inspections of particular product specifications, in a general sense, may correspond to this definition. However, the context of the term "technical regulation" in Annex 1 shows that it is one of a suite of definitions that includes "standard" and "conformity assessment procedures". The terms "technical regulations" and "standards" themselves form part of the definition of the term "conformity assessment procedures", which is defined as follows:

"3. *Conformity assessment procedures*

Any procedure used, directly or indirectly, to determine that relevant requirements in technical regulations or standards are fulfilled.

*Explanatory note*

Conformity assessment procedures include, *inter alia*, procedures for sampling, testing and inspection; evaluation, verification and assurance of conformity; registration, accreditation and approval as well as their combinations."

7.512 This definition shows that "conformity assessment procedures" assess conformity with "technical regulations" and "standards". This suggests that they are not only distinct from one other, but mutually exclusive. Whilst a single measure can combine both a technical regulation and a procedure to assess conformity with that technical regulation, it would be an odd result if a conformity assessment procedure could fall within the definition of a technical regulation as well.

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<sup>460</sup> These issues are set out in paras. 7.446 and following in relation to the claim under Article 2.1 of the TBT Agreement.

<sup>461</sup> *The New Shorter Oxford English Dictionary* (1993).

7.513 The object and purpose of the TBT Agreement is, in large part, disclosed by the two main groups of substantive provisions that it contains: one that relates to technical regulations and standards in Articles 2 to 4, and another that relates to conformity assessment procedures in Articles 5 to 9. It is also reflected in the preamble, of which the fifth recital, and also the third and fourth recitals, draw this distinction.<sup>462</sup> If the Panel were to embed measures subject to Articles 5 to 9 in the definition of a technical regulation and thereby subject them to the technical regulations provisions in Articles 2 to 4 as well, it would lead to an unreasonable result. In this respect, we note that the explanatory note refers to "procedures for ... inspection" as an example of conformity assessment procedures. This suggests that a procedure for inspection is not a technical regulation.

7.514 Turning to the Regulation, the Panel notes that the inspection structures provided for in Article 10 of the Regulation do not set out "a continuous series of actions, events or changes" or a "course of action, a procedure" within the ordinary meaning set out at paragraph 7.510 above. It does not set out the steps that are to be undertaken to ensure compliance with a product specification, such as with the product specifications contained in Article 4 of the Regulation. Rather, it merely sets out the requirements for the design of inspection authorities and private bodies. It does not deal with the process by which these inspection authorities and private bodies are to conduct their inspections once they are established. Further, these inspection structures may be excluded *a priori* from the definition of a "technical regulation" under the TBT Agreement, in view of the context of that definition and the object and purpose of the Agreement, as explained at paragraphs 7.511 to 7.513 above. However, it is unnecessary to consider this issue further for the purposes of this dispute.

7.515 Therefore, the Panel concludes that the inspection structures requirements in the Regulation, read together with Article 4 of the Regulation, are not a "technical regulation" within the definition of that term in Annex 1.1 of the TBT Agreement. Accordingly, the Panel concludes that Article 2.2 of the TBT Agreement is inapplicable and rejects Australia's claim.

#### D. TRADEMARK CLAIMS

##### 1. The relationship between GIs and prior trademarks

###### (a) Introduction

7.516 **Australia** claims that the Regulation is inconsistent with Article 16.1 of the TRIPS Agreement because it denies the owner of a registered trademark the exclusive right to prevent uses of GIs which would result in a likelihood of confusion with a prior trademark.<sup>463</sup> Its claim does not concern conflicts involving the future acquisition of trademark rights and GIs.<sup>464</sup>

7.517 The **European Communities** responds that this claim is unfounded for several reasons: (1) Article 14(3) of the Regulation, in fact, prevents the registration of GIs, use of which would result in a likelihood of confusion with a prior trademark; (2) Article 24.5 of the TRIPS Agreement provides

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<sup>462</sup> They provide as follows:

"Recognizing the important contribution that *international standards* and *conformity assessment systems* can make in this regard by improving efficiency of production and facilitating the conduct of international trade;

*Desiring* therefore to encourage the development of such *international standards* and *conformity assessment systems*;

*Desiring* however to ensure that *technical regulations and standards*, including packaging, marking and labelling requirements, and *procedures for assessment of conformity with technical regulations and standards* do not create unnecessary obstacles to international trade"  
[emphasis added]

<sup>463</sup> Australia's first written submission, paras. 6, 60 and 102-103.

<sup>464</sup> Australia's rebuttal submission, para. 95.

for the "coexistence" of GIs and prior trademarks; (3) Article 24.3 of the TRIPS Agreement requires the European Communities to maintain "coexistence"; and (4) in any event, Article 14(2) of the Regulation would be justified as a limited exception under Article 17 of the TRIPS Agreement.<sup>465</sup>

7.518 For the sake of brevity, the Panel uses the term "coexistence" in this report to refer to a legal regime under which a GI and a trademark can both be used concurrently to some extent even though the use of one or both of them would otherwise infringe the rights conferred by the other. The use of this term does not imply any view on whether such a regime is justified.

7.519 The Panel will begin its examination of this claim by describing Article 14(2) of the Regulation and how the Regulation can, in principle, limit the right of the owner of a trademark subject to Article 14(2) against the use of a GI. We will then assess whether Article 14(3) of the Regulation prevents a situation from occurring in which a trademark would be subject to Article 14(2). If Article 14(3) cannot prevent that situation from occurring, we will proceed to examine whether Article 16.1 of the TRIPS Agreement requires Members to make available to trademark owners the right to prevent confusing uses of signs, even where the signs are used as GIs. If it does, we will consider whether Article 24.5 provides authority to limit that right and, if Article 24.5 does not, conclude our examination by assessing whether Article 17 or Article 24.3 of the TRIPS Agreement permits or requires the European Communities to limit that right with respect to uses of signs used as GIs.

(b) Description of Article 14(2) of the Regulation

7.520 Article 13 of the Regulation sets out the protection conferred by registration of a GI under the Regulation. Paragraph 1 provides for the prevention of certain uses of the GI and other practices. These are negative rights to prevent, essentially, uses which are misleading as to the origin of a product or otherwise unfair.

7.521 Under the European Communities' domestic law, it is considered that the Regulation impliedly grants the positive right to use the GI in accordance with the product specification and other terms of its registration to the exclusion of any other sign. The European Communities explains, and Australia does not contest, that under the European Communities' domestic law, this positive right is implicit in several provisions, including Article 4(1), which refers to eligibility to use a protected designation of origin or a protected geographical indication; Article 8, which provides that the indications PDO and PGI and equivalent national indications may appear only on agricultural products and foodstuffs that comply with the Regulation; and Article 13(1)(a) which provides protection for registered names against direct or indirect commercial use on certain conditions. Without this positive right, in the European Communities' view, the protection granted by Article 13 would be "meaningless". Accordingly, under the European Communities' domestic law, that positive right prevails over the rights of trademark owners to prevent the use of a sign that infringes trademarks.<sup>466</sup>

7.522 A registered GI may be used together with other signs or as part of a combination of signs but the registration does not confer a positive right to use any such other signs or combination of signs or to use the name in any linguistic versions not entered in the register.<sup>467</sup> Therefore, the registration does not affect the right of trademark owners to exercise their rights with respect to such uses.<sup>468</sup>

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<sup>465</sup> European Communities' first written submission, paras. 268-273.

<sup>466</sup> Confirmed in the European Communities' response to Panel question No. 139.

<sup>467</sup> The European Communities explains that "[t]he positive right extends only to the linguistic versions that have been entered into the register" in its response to Panel question No. 140; see also its rebuttal submission, paras. 288 and 293; response to Panel question No. 137 and comment on US response to that



7.523 Article 14 of the Regulation governs the relationship of GIs and trademarks under Community law. Paragraph 1 deals with later trademarks. It provides for the refusal of trademark applications where use of the trademark would infringe the rights in a GI already registered under the Regulation. This, in effect, ensures that a registered *GI prevails over a later trademark*.

7.524 Paragraph 2 of Article 14 deals with prior trademarks. It provides as follows:

"2. With due regard to Community law, a trademark the use of which engenders one of the situations indicated in Article 13 and which has been applied for, registered, or established by use, if that possibility is provided for by the legislation concerned, in good faith within the territory of the Community, before either the date of protection in the country of origin or the date of submission to the Commission of the application for registration of the designation of origin or geographical indication, may continue to be used notwithstanding the registration of a designation of origin or geographical indication, provided that no grounds for its invalidity or revocation exist as specified by Council Directive 89/194/EEC of 21 December 1998 to approximate the laws of the Member States relating to trade marks and/or Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark." [footnotes omitted]

7.525 This is an exception to Article 13, as it provides for the continued use of a prior trademark even though use of that trademark would conflict with the rights conferred by registration of a GI under the Regulation. It prevents the exercise of rights conferred by registration of a GI against the continued use of that particular prior trademark and is an express recognition that, in principle, *a GI and a trademark can coexist* under Community law. It is intended to implement Article 24.5 of the TRIPS Agreement.<sup>469</sup>

7.526 Article 14(2) only applies:

- (a) with respect to the GI, where a particular indication satisfies the conditions for protection, including the definitions of a "designation of origin" or a "geographical indication", and is not subject to refusal on any grounds, including those in paragraph 3 of Article 14 (discussed below);
- (b) with respect to the trademark, where a particular sign has already been applied for, registered, or established by use in good faith and there are no grounds for its invalidity or revocation; and
- (c) where use of that trademark would infringe the GI registration.

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question. A different "linguistic version" means a translation which renders the name differently. Some GIs are registered in more than one linguistic version: see, for example, the second, fourth and eleventh GIs set out *supra* at note 61.

<sup>468</sup> Under Community law, those rights would become meaningless if there was no positive right to use the registered GI. See the European Communities' rebuttal submission, para. 301; responses to Panel questions Nos. 139 and 140 (but contrast its comment on Australia's response to Panel question No. 137).

<sup>469</sup> Paragraph 11 of the recitals to the April 2003 amending Regulation explained that the dates referred to in Article 14(2) should be amended in line with Article 24.5 of the TRIPS Agreement: see Exhibit COMP-1h. Article 14(2) has been interpreted once by the European Court of Justice, in Case C87/97, *Conorzio per la tutela del formaggio Gorgonzola v Käserai Champignon Hofmeister GmbH & Co Kg* [1999] ECR I-1301, concerning the trademark CAMBOZOLA for cheese and the GI "Gorgonzola". The judgement of the Court was submitted by the European Communities' in Exhibit EC-32.

7.527 The scope of Article 14(2) is confined temporally to those trademarks applied for, registered or established by use either before the GI is protected in its country of origin or before the date of submission to the Commission of an application for GI registration.

7.528 The text of Article 14(2) begins with the introductory phrase "[w]ith due regard to Community law". This refers, among other things, to the Community Trademark Regulation and the First Trademark Directive<sup>470</sup>, both of which provide that trademark registration confers the right to prevent "all third parties" from certain uses of "any sign", including uses where there exists a likelihood of confusion.<sup>471</sup> This corresponds to the right provided for in Article 16.1 of the TRIPS Agreement.

7.529 However, Article 159 of the Community Trademark Regulation, as amended<sup>472</sup>, provides as follows:

"This Regulation shall not affect Council Regulation (EEC) No. 2081/92 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs of 14 July 1992, and in particular Article 14 thereof."  
[original footnote omitted]

7.530 This ensures that the rights conferred by a trademark registration against "all third parties" and uses of "any sign" do not prevail over a third party using a registered GI in accordance with its registration. It does not limit the rights conferred by a trademark registration against any other third party.<sup>473</sup> The same applies to trademarks protected under the national laws of the EC member States: due to the principle of the primacy of Community legislation, a trademark owner's rights cannot prevail over a third party using a GI registered under the Regulation in accordance with its registration. The rights conferred by a trademark registration against other third parties are not affected.

7.531 Accordingly, the trademark owner's right provided by trademark legislation in the implementation of Article 16.1 of the TRIPS Agreement, in principle, cannot be exercised against a person who uses a registered GI in accordance with its registration where the trademark is subject to Article 14(2) of the Regulation.

7.532 The phrase "[w]ith due regard to Community law" also refers to other legislation, such as labelling and misleading advertising legislation, which qualify the right to continue use of a trademark under Article 14(2). Conversely, the same legislation allows persons, including trademark owners, to take action against certain uses of a registered GI which are not covered by the GI registration.<sup>474</sup>

7.533 Paragraph 3 of Article 14 provides as follows:

"3. A designation of origin or geographical indication shall not be registered where, in the light of a trade mark's reputation and renown and the length of time it

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<sup>470</sup> European Communities' response to Panel question No. 138. The "Community Trademark Regulation" refers to Council Regulation (EC) No. 40/94 on the Community trade mark, as amended by Council Regulation (EC) No. 1992/2003 and Council Regulation (EC) No. 422/2004, set out in Exhibit COMP-7. The "First Trademark Directive" refers to the First Council Directive 89/104/EEC to approximate the laws of the member States relating to trade marks, set out in Exhibit COMP-6.

<sup>471</sup> Article 9 of the Community Trademark Regulation and Article 5 of the First Trademark Directive.

<sup>472</sup> Article 142 of the original Council Regulation (EC) No. 40/94 was renumbered Article 159 by Article 156(5) of Council Regulation (EC) No. 1992/2003.

<sup>473</sup> European Communities' first written submission, para. 317; response to Panel question No. 76; rebuttal submission, para. 336.

<sup>474</sup> European Communities' response to Panel question No. 140.

has been used, registration is liable to mislead the consumer as to the true identity of the product."

7.534 This is a condition for the registration of a GI, as it provides for the refusal of registration of a GI that is liable to mislead the consumer as to the true identity of the product in light of certain factors relevant to a prior trademark. This, in effect, provides that *a prior trademark may prevail* over a later application for GI registration under certain conditions.

7.535 The European Communities argues that Article 14(3) of the Regulation, together with the criteria for registrability of trademarks applied under EC law, prevent the registration of a GI, use of which would result in a likelihood of confusion with a prior trademark. Australia disagrees. The Panel will consider this factual issue below.

(c) Article 14(3) of the Regulation

(i) *Main arguments of the parties*

7.536 **Australia** argues that Article 14(3) of the Regulation does not concern use that is liable to "confuse" but rather concerns use that is liable to "mislead". "Misleading" is a stricter evidentiary standard than "confusing". The ordinary meaning of "confusing" is "perplexing, bewildering". Although the two words can be synonyms, the context of "mislead" in Article 22.2 and 22.3 of the TRIPS Agreement refers to misleading use which positively provokes an error on the part of a consumer. The standard of confusing established by Article 16.1 is a separate standard. The wording, context and aim of Article 14(3) of the Regulation confirm that its use of "misleading" is similar to that in Article 22.2 and 22.3 of the TRIPS Agreement. Therefore, the express terms of Article 14(3) do not exclude registration of GIs whose use would be confusing but not necessarily misleading.<sup>475</sup> If this were not so, the reference in Article 14(2) to grounds for revocation of a trademark in the Community Trademark Regulation and Trademark Directive would be meaningless because those grounds include liability to "mislead the public ... as to ... geographical origin" and are distinguished from the exclusive right to prevent use where there exists a "likelihood of confusion". The reference to revocation imports that differentiation into the Regulation.<sup>476</sup> The word "confusion" is used in Articles 6.6, 7.5(b), 12.2, 12b(3) and 12d(3) of the Regulation in the sense of wondering about the source of the good, but the word "misleading" is used in Articles 3.2, 6.6, 13.1(c), 13.1(d) and 14.3 in the sense of an action which positively provokes an error on the part of the consumer.<sup>477</sup>

7.537 Australia argues that Article 14(3) requires consideration of a trademark's reputation, renown and the length of time it has been used, which are not required by Article 16.1 of the TRIPS Agreement. Trademark owners cannot exercise their rights against GIs where their use would be misleading for other reasons. Trademarks that do not meet the tests expressly established by Article 14(3) of the Regulation cannot be protected by the right provided for in Article 16.1 of the TRIPS Agreement.<sup>478</sup>

7.538 Australia notes that the right provided for in Article 16.1 of the TRIPS Agreement refers to where "such use would result in a likelihood of confusion". It argues that this implies that there is, or is intended to be, active use of a trademark and that the right encompasses pre-emptive action. The way in which the trademark rights have been acquired does not affect the assessment as it is the

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<sup>475</sup> Australia's rebuttal submission, paras. 104-106; in its second oral statement it referred to the difference between "mislead" and "confuse" as causing a consumer to "mistake" the true identity of a product and to be "puzzled" about the true identity of a product: see para. 15.

<sup>476</sup> Australia's second oral statement, paras. 18-19.

<sup>477</sup> Australia's response to Panel question No. 149.

<sup>478</sup> Australia's rebuttal submission, paras. 107-108.

prospective use of the second sign that is in issue. Reputation is not a prerequisite and it is possible to cause confusion with a registered trademark even where it has little use and no reputation. The right to prevent confusing use applies both at the time of the application for registration of the later trademark or GI and at later stages of use, including in the case of changed circumstances which would result in a likelihood of confusion on the basis of a likelihood of confusion.<sup>479</sup>

7.539 Australia argues that the only instance in which Article 14(3) has been applied shows that there was no consideration of the issue whether registration of the GI "Bayerisches Bier" would constitute confusing use in relation to the prior trademark "BAVARIA".<sup>480</sup> In response to a question from the Panel, Australia argued that the registered GIs "Bayerisches Bier", "Budejovické pivo" and "Gorgonzola" could be used in accordance with their respective registrations in a way that results in a likelihood of confusion with particular trademarks.<sup>481</sup>

7.540 Australia argues that the protection provided by the Regulation, in particular Article 13.1, makes clear that the owner of a registered trademark would not be able to prevent "confusingly similar or identical use of a sign for similar or identical goods". The right of a trademark owner to initiate an infringement action on the grounds that a GI as used is different from the GI as registered depends on the circumstances of the case. Trademarks registered in particular EC member States only, could still enjoy reputation in other EC member States. The European Communities has not explained how owners of those trademarks would have standing to initiate legal action under labelling, misleading advertising or unfair competition laws.<sup>482</sup>

7.541 Australia notes that Article 7(4) of the Regulation provides that an objection is admissible if it "shows that the registration of the name proposed would jeopardize the existence ... of a mark". This refers to a threat to the very being of the mark which is a far more rigorous standard than a likelihood of confusion. This is also true of the French and Spanish versions of the Regulation.<sup>483</sup>

7.542 Australia denies the allegation that it is requesting a remedy against GI rights that it does not provide with respect to trademark rights under its own law. It submits that the Panel should not consider the provisions of the trademark laws of other Members in isolation. For example, whilst Australia's trademark law excepts certain actions from infringing an earlier trademark right, it applies only where the prior right holder expressly consented to the coexistence or failed to prevent the acquisition of the later trademark right.<sup>484</sup>

7.543 The **European Communities** argues that, as a factual matter, the risk of registration of a GI confusingly similar to a prior trademark is very limited due to the criteria for registrability of trademarks applied under EC law. Moreover, Article 14(3) of the Regulation, if properly interpreted, is sufficient to prevent the registration of any confusing GIs.<sup>485</sup> The complainant bears the burden of proving that its interpretation of Article 14(3) is the only reasonable one and that the European Communities' interpretation is not reasonable or that the provision is being applied in a manner which results in the registration of confusing GIs.<sup>486</sup>

7.544 The European Communities argues that the criteria for the registrability of trademarks limit *a priori* the possibility of conflicts between GIs and earlier trademarks. Geographical names are primarily non-distinctive and, as such, are not apt for registration as trademarks. Their use may also

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<sup>479</sup> Australia's response to Panel question No. 148.

<sup>480</sup> Australia's rebuttal submission, para. 110.

<sup>481</sup> Australia's response to Panel question No. 137.

<sup>482</sup> Australia's response to Panel question No. 137.

<sup>483</sup> Australia's rebuttal submission, para. 133; second oral statement, paras. 20-21 and 23.

<sup>484</sup> Australia's comment on EC responses to Panel question Nos. 137 and 139.

<sup>485</sup> European Communities' first written submission, paras. 275-277.

<sup>486</sup> European Communities' first written submission, para. 292; rebuttal submission, paras. 271-276.

be deceptive insofar as they are used for goods that do not originate in the location that they designate. Under EC law, they may only be registered as a trademark where the geographical name is not currently associated, and it can reasonably be assumed that it will not be associated in the future, with the product concerned; or where the name has acquired distinctiveness through use.<sup>487</sup>

7.545 The European Commission considers that the criteria listed in Article 14(3) of the Regulation are not exhaustive, so that other relevant criteria may be taken into account in order to assess whether the registration of the GI will result in a likelihood of confusion, such as the similarity between the signs or between the goods concerned. The likelihood of confusion will depend to a large extent on the degree of distinctiveness which the trademark has acquired through use. A trademark consisting of a GI, which has never been used or has no reputation or renown, should not have been registered in the first place because it would lack the required distinctiveness.<sup>488</sup> The length of time a trademark has been used does not limit Article 14(3) to cases where the trademark has been used for a long time as it is conceivable that a trademark which has been used for a relatively short period of time may have become strongly distinctive through other means, e.g. publicity.<sup>489</sup> It asserts that Australia bears the burden of proving that the EC's interpretation of "misleading" is less reasonable or that it is impossible to interpret "misleading" consistently with Article 16.1. One of the ordinary meanings of "misleading" is "confusing".<sup>490</sup>

7.546 The European Communities informs the Panel that the only instance in which Article 14(3) has been applied was the registration of "Bayerisches Bier" as a GI. There was no suggestion that this decision was based on the fact that the trademarks concerned were not famous enough or had not been used for long enough. The complainants have not identified an example of a GI which gives rise to a likelihood of confusion with an earlier trademark. Registration covers only the term in the specification and not its translations into other languages unless the term is the same in translation. The three Czech beer GIs also contain a unique endorsement that they apply "without prejudice to any beer trademark or other rights existing in the European Union on the date of accession".<sup>491</sup>

7.547 The European Communities argues that Article 14(3) requires the EC authorities to refuse registrations and does not allow for a margin of discretion. It can be invoked before the courts after registration of a GI, including in trademark infringement proceedings brought against a user of a GI. This applies to registrations under the ordinary procedure in Article 6 or the "fast-track" procedure in Article 17. A trademark owner may raise the invalidity of the measure before the courts under the preliminary ruling procedure in Article 234 of the EC Treaty. Depending on the factual circumstances of each case, a trademark owner may also have standing to bring an action in annulment under Article 230 of the EC Treaty, if a GI registration were considered to affect adversely specific substantive trademark rights. A two-month time limit applies to the action in annulment and, in specific circumstances, may also apply to the preliminary ruling procedure.<sup>492</sup> Under both procedures, judicial review is available on points of fact and law. The cancellation procedure is set out in Article 11a of the Regulation and the grounds mentioned in Articles 11 and 11a are exhaustive.<sup>493</sup>

7.548 The European Communities notes that Article 7(4) of the Regulation provides that an objection is admissible if it "shows that the registration of the name proposed would jeopardize the

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<sup>487</sup> European Communities' first written submission, paras. 278-285; rebuttal submission, para. 270.

<sup>488</sup> European Communities' first written submission, paras. 286-291.

<sup>489</sup> European Communities' response to Panel question No. 68.

<sup>490</sup> European Communities' second oral statement, para. 162.

<sup>491</sup> European Communities' rebuttal submission, paras. 286-293; response to Panel question No. 142.

<sup>492</sup> European Communities' responses to Australia's questions Nos. 2 and 3 after the second substantive meeting.

<sup>493</sup> European Communities' responses to Panel questions Nos. 67 and 142; rebuttal submission, paras. 294-297; second oral statement, paras. 174-179.

existence ... of a mark". It argues that this language is broad enough to encompass any instance of likelihood of confusion with any mark. Logically, Article 14(3) must permit registration to be refused in such cases. Article 7(5)(b) refers expressly to a decision having regard to the "likelihood of confusion".<sup>494</sup>

7.549 The European Communities argues that Community law provides the means to prevent use of a registered GI in a confusing manner. Failure to comply with the product specifications in the registration may lead to cancellation. The right conferred by registration does not extend to other names or signs not in the registration. Registration does not cover translations. A presentation of a GI in a mutilated or deformed manner may be deemed different from the registered sign and not protected. Use of a GI is subject to the Community directives on labelling, presentation and advertising of foodstuffs and on misleading advertising and the EC member States' unfair competition laws.<sup>495</sup>

7.550 The European Communities argues that few, if any, Members provide a remedy to prevent confusing use of a registered trademark without first obtaining cancellation, invalidation or revocation of the trademark registration. In the same way, Community law does not provide a remedy to prevent use of a registered GI on the grounds that it is confusing, although the trademark owner may request a judicial ruling that the GI registration is invalid on those grounds.<sup>496</sup>

(ii) *Main arguments of third parties*

7.551 **Argentina, Brazil, India and Mexico** indicated, in response to a question from the Panel, that they were not aware of any GIs registered under the Regulation that were identical or confusingly similar to a trademark owned by their respective nationals and protected in the European Communities.<sup>497</sup>

7.552 **Brazil** argues that Article 16.1 of the TRIPS Agreement deals with trademarks in general and not only with those referred to in the narrow terms of Article 14(3) of the Regulation, which refers to the trademark's reputation, renown, and the length of time it has been used, and its liability to mislead the consumer as to the true identity of the product.<sup>498</sup>

7.553 **New Zealand** argues that Article 14(3) conditions the rights of a prior registered trademark owner on certain factors, such as reputation, renown and length of time of use, for which there is no basis in Article 16.1 of the TRIPS Agreement.<sup>499</sup>

7.554 **Chinese Taipei** argues that Article 14(3) of the Regulation only prevents the registration of a trademark if it fulfils the conditions of reputation, renown and length of time of use. This provision negates the right granted to trademark owners pursuant to Article 16.1 of the TRIPS Agreement.<sup>500</sup>

(iii) *Consideration by the Panel*

7.555 Australia does not take issue in this dispute with trademark rights acquired after a GI is registered. Therefore, there is no need to consider Article 14(1) of the Regulation. Moreover, it does not take issue in this dispute with the *dates* for establishing which trademarks are considered earlier

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<sup>494</sup> European Communities' first written submission, para. 336; response to Panel question No. 68; rebuttal submission, paras. 282-285.

<sup>495</sup> European Communities' response to Panel question No. 63; rebuttal submission, paras. 298-303.

<sup>496</sup> European Communities' second oral statement, para. 181; response to Panel question No. 139.

<sup>497</sup> See their respective comments in Annex C, see paras. 19, 37, 106 and 120.

<sup>498</sup> Annex C, para. 29.

<sup>499</sup> Annex C, paras. 148-152.

<sup>500</sup> Annex C, para. 178.

than a GI under Article 14(2) of the Regulation. Therefore, there is no need to consider that issue either.

7.556 Australia challenges coexistence under the Regulation "as such". It relies on the fact that Article 14(2) of the Regulation, on its face, can apply to certain trademarks and, when it does, the Regulation will limit the right of the owner of such a trademark against the use of a GI.<sup>501</sup>

7.557 The parties largely agree on the factual implications, in principle, of the application of Article 14(2). It allows the continued use of a trademark on certain conditions but, at the same time, the Regulation confers a positive right to use a GI which prevents the owner of a trademark from exercising the right conferred by that trademark against a person who uses a registered GI in accordance with its registration. The particular right of a trademark owner at issue is the right to prevent uses of a sign that would result in a likelihood of confusion, which is discussed in paragraphs 7.598 to 7.603 below.

7.558 The European Communities' first defence is that Article 14(3) can prevent the registration of any GI which would subject a prior trademark to Article 14(2), where the GI could be used in a manner that would result in a likelihood of confusion. This is a factual issue for the Panel to decide. This involves matters of interpretation of an EC Regulation which forms part of the European Communities' domestic law. It is necessary for the Panel to make an objective assessment of the meaning of this provision, although solely for the purpose of determining the European Communities' compliance with its WTO obligations.<sup>502</sup>

7.559 As a preliminary remark, the Panel does not consider that this defence is necessarily contradicted by the European Communities' other defences that it is fully entitled and even required under the TRIPS Agreement to apply its coexistence regime, regardless of whether a GI would otherwise infringe the rights in a prior trademark. However, given that this is the European Communities' view of its rights and obligations under the TRIPS Agreement, it would seem coincidental if Article 14(3) of the Regulation could operate in a way that a GI would never, in fact, otherwise infringe the rights in a prior trademark.

7.560 Turning to the text of Article 14(3) of the Regulation, the Panel's first observation is that Article 14(3) requires GI registration to be refused where it would be "liable to mislead the consumer as to the true identity of the product". This is limited to liability to mislead as to a single issue, and not with respect to anything else.

7.561 The Panel's second observation is that Article 14(3) specifically prohibits GI registration "in light of a trade mark's reputation and renown and the length of time it has been used". It is clear that these factors must all be taken into account in the application of Article 14(3). It is difficult to imagine how Article 14(3) could be applied without some consideration of the similarity of the signs and goods as well.<sup>503</sup> However, even if these factors are not exhaustive, and even if they do not require strong reputation, wide renown and long use, they indicate that the scope of Article 14(3) is limited to a subset of trademarks which, as a minimum, excludes trademarks with no reputation,

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<sup>501</sup> Although Article 14(2) of the Regulation is drafted as an exception to GI protection in Article 13, it is not disputed that in most of the situations described in Article 13, in which Article 14(2) applies, the use of the GI would otherwise constitute infringement of the trademark. If Article 14(3) were able to prevent the registration of any GI, use of which could otherwise constitute a trademark infringement, Article 14(2) would be redundant in all of these situations.

<sup>502</sup> In this regard, the Panel recalls its comments at para. 7.106.

<sup>503</sup> Article 14(3) presupposes the applicability of Article 13, which requires a consideration of the similarity of the goods and signs.

renown or use. Otherwise, Article 14(3) does not prevent the registration of a GI, on the basis that its use would affect any prior trademark outside that subset.

7.562 The Panel's third observation on the text of Article 14(3) is that it does not refer to use (of the GI), or to likelihood or to confusion, when other provisions of the Regulation do. Articles 7(5)(b), 12b(3) and 12d(3) permit refusal of a GI registration "having regard to" or "taking account of" factors including the "actual likelihood of confusion" and the "actual risk of confusion".<sup>504</sup> This indicates that the standard in Article 14(3) that registration would "mislead the consumer as to the true identity of the product" is intended to apply in a narrower set of circumstances than the trademark owner's right to prevent use that would result in a likelihood of confusion.<sup>505</sup>

7.563 For these reasons, the Panel considers that Australia has made a *prima facie* case that Article 14(3) of the Regulation cannot prevent all situations from occurring in which Article 14(2) would, in fact, limit the rights of a trademark owner.

7.564 Consistent with this view, it can be noted that the European Communities specifically rejected a proposal by a Committee of the European Parliament to amend Article 14(2) so as to subject it to the trademark owners' rights when Article 14 was amended in April 2003.<sup>506</sup> This at least suggests that Article 14(3) was considered different from a blanket protection of trademark rights.

7.565 The European Communities has submitted that Australia's interpretation of Article 14(3) would conflict with Article 7(4), which provides that a statement of objection shall be admissible *inter alia* if it shows that the proposed GI registration would jeopardize the existence of a mark. It asserts that this language encompasses any instance of likelihood of confusion between the proposed GI and a prior trademark.<sup>507</sup> It has not explained why the text does not set forth the likelihood of confusion standard, when the following provision of the Regulation in Article 7(5)(b) does. The contrast is marked. Article 7(5)(b) sets out a procedure to reach agreement in cases where an objection is admissible, which appears to indicate that it contains a lower standard than the ground for objection in Article 7(4).

7.566 The European Communities has submitted that the criteria for registrability of a trademark limit *a priori* the risk of GIs being confused with a prior trademark, but it does not submit that they completely eliminate this risk. The evidence shows that signs eligible for protection as GIs can and have been registered as trademarks in the Community.<sup>508</sup> The European Communities has not shown that the criteria for registrability of trademarks can anticipate adequately a situation in which a GI could be used in a way that results in a likelihood of confusion with a trademark, wherever Article 14(3) of the Regulation does not provide for refusal of registration of a GI. Those criteria and Article 14(3) would have to offset each other in every case. However, Article 14(2) and (3) apply to trademarks that are already protected. They cannot apply to signs which do not satisfy the trademark

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<sup>504</sup> Articles 7(5)(b) and 12d(3) do not apply to GIs located in third countries. To the extent that they apply to GIs located in the European Communities', they only apply in limited circumstances where there is an admissible objection from an EC member State, other than the one which transmitted the application, or a third country, and they do not provide that the actual likelihood or risk of confusion is an absolute ground for refusal.

<sup>505</sup> The TRIPS Agreement does not define the terms "likelihood of confusion" and "mislead the public as to the geographical origin". These terms define the scope of protection provided for in Articles 16.1 and 22.2 of the TRIPS Agreement and apply in a very wide range of factual situations. Therefore, the Panel considers it inappropriate to embark on a detailed interpretation of these or similar terms unless necessary for the purposes of the resolution of the dispute, which is not the case here.

<sup>506</sup> The Committee proposal is set out in Exhibit COMP-14.

<sup>507</sup> European Communities' response to Panel question No. 68; rebuttal submission, paras. 282-285.

<sup>508</sup> For example, the following are registered Community trademarks: CALABRIA for pasta; DERBY for milk and chocolate based products; WIENERWALD for prepared meals, condiments and other goods and services.



registrability criteria, either because they are geographical names or for whatever other reason, and have been refused registration, are subject to invalidation or are otherwise unprotected. These signs are filtered out before Article 14 of the GI Regulation comes into play. Given that Article 14(3) applies to a subset of protected trademarks, those to which it does *not* apply have by definition already satisfied the trademark registrability criteria.

7.567 There is also the question of how Article 14(3) can protect a trademark owner's right to prevent uses which occur subsequent to GI registration. In response to a question from the Panel as to whether Article 14(3) could be invoked if use of the GI would otherwise infringe the trademark *subsequent* to GI registration, the European Communities submitted that it could.<sup>509</sup> The parties then made various submissions on this point, based on which the Panel makes the following observations:

- (a) the Regulation does not refer to invalidation under Article 14(3). It sets out cancellation procedures in Articles 11 and 11a, the grounds for which do not appear to relate to improper application of Article 14(3). If invalidation procedures are possible, it would be as a matter of general Community law under the EC Treaty;
- (b) Article 230 of the EC Treaty provides a procedure for a direct challenge to the validity of a Community measure before the Court of First Instance of the European Communities on the condition that the applicant "is directly and individually concerned" by the measure. It is not submitted by any party that all trademark owners can satisfy that condition. Further, this procedure is subject to a two-month time limit which could render it unavailable to certain trademark owners who did satisfy that condition<sup>510</sup>;
- (c) Article 234 of the EC Treaty provides a procedure for an indirect challenge to a Community measure under which a court of an EC member State can refer a question to the European Court of Justice for a preliminary ruling. This procedure could be invoked in a trademark infringement proceeding to obtain invalidation of a GI registration. It is not clear in what circumstances this procedure is available to a trademark owner who could have invoked the Article 230 procedure. The procedure under Article 234 would only be available where the court of the EC member State considered the question of validity of the GI necessary to resolve the trademark infringement action. In any case, the decision not to refuse a registration under Article 14(3) of the Regulation would be interpreted in the preliminary ruling as at the time of that decision, and not at the time of the subsequent allegedly infringing use<sup>511</sup>; and
- (d) Article 14(3) is apparently not mandatory in all cases as three GIs registered in accordance with the terms of an Act of Accession to the European Union cannot be invalidated on the basis of Article 14(3).<sup>512</sup>

7.568 In light of these observations, the Panel considers that there is no evidence to show that it is possible to seek invalidation of a GI registration under Article 14(3) in *all* cases in which use of a GI

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<sup>509</sup> European Communities' response to Panel question No. 67; see also rebuttal submission, paras. 270 and 296. The Panel's findings do not imply any view on whether a requirement to seek GI invalidation as a condition precedent to obtaining relief against trademark infringement would be consistent with the enforcement obligations under the TRIPS Agreement.

<sup>510</sup> Australia's comment on EC response to Panel question Nos. 159 and 160; European Communities' second oral statement, para. 177.

<sup>511</sup> Australia's comment on EC responses to Panel question Nos. 159 and 160; European Communities' second oral statement, para. 178.

<sup>512</sup> European Communities' response to Panel question No. 142(c).

would otherwise infringe a prior trademark. In those cases where it is not possible, it would be necessary for the owner of a prior trademark to be able to anticipate, at the time of the proposed GI registration, all subsequent uses of the proposed GI that would result in a likelihood of confusion. There is no reason to believe that this is possible. The evidence submitted to the Panel shows that GI registrations under the Regulation simply refer to names without limiting the way in which they are used.

7.569 The European Communities has submitted that the food labelling and misleading advertising directives and unfair competition laws of the EC member States also prevent confusing uses. We understand, and the European Communities does not deny, that this is only possible where the use is not in accordance with the GI registration. In any event, the scope of the directives is narrower than that of the GI Regulation and the standards which they apply are different from the right of a trademark owner to prevent use which would result in a likelihood of confusion, for the following reasons:

- (a) the food labelling directive only applies to the labelling of foodstuffs to be delivered as such to the ultimate consumer and certain aspects relating to the presentation and advertising thereof. It provides that "labelling and methods used must not be such as could mislead the purchaser to a material degree, particularly ... as to the characteristics of the foodstuff and, in particular, as to its nature, identity, properties, composition, quantity, durability, origin or provenance, method of manufacture or production"<sup>513</sup>; and
- (b) the misleading advertising directive applies to "any advertising which in any way, including presentation, deceives or is likely to deceive the persons to whom it is addressed or whom it reaches and which, by reason of its deceptive nature is likely to affect their economic behaviour or which, for those reasons, injures or is likely to injure a competitor".<sup>514</sup>

7.570 The unfair competition laws of the EC member States apply subject to the terms of registration under the Regulation, due to the primacy of Community law. It is not clear to what extent these laws apply in addition to the Regulation but, to the extent that they do, they use various standards, some of which require deception, which is narrower than confusion, and some of which appear only to apply the misleading standard which is embodied in the Regulation itself.<sup>515</sup>

7.571 Australia also refers to some specific cases in which the Regulation has been applied in support of its claim, as set out in the following paragraphs.

7.572 Article 14(3) of the Regulation has only been applied once. This was the case of "Bayerisches Bier", which was registered as a protected geographical indication in 2001 subject to the proviso that the use of certain prior trademarks, for example, BAVARIA and HØKER BAJER, was permitted to continue under Article 14(2). The GI refers to a beer and the trademarks are registered in

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<sup>513</sup> Articles 1 and 2(1)(a)(i) of Directive 2000/13/EC of the European Parliament and of the Council on the approximation of the laws of the Member States relating to the labelling, presentation and advertising of foodstuffs, referred to in the European Communities' responses to Panel question No. 63, fn 38, and reproduced in Exhibit EC-30.

<sup>514</sup> Article 2(2) of Council Directive 84/450/EEC relating to the approximation of the laws, regulations and administrative provisions of the Member States concerning misleading advertising, referred to in the European Communities' responses to Panel question No. 63, fn 39, and reproduced in Exhibit EC-31.

<sup>515</sup> See information supplied by the European Communities' and some of its member States to the Council for TRIPS in the review under Article 24.2 of the TRIPS Agreement, document IP/C/W/117/Add.10, reproduced in Exhibit EC-29. The European Communities' did not supply information on the unfair competition laws of its ten new member States.

respect of beer. The GI and the trademarks are, respectively, the words "Bavaria" or "Bavarian Beer" rendered in the German, English and Danish languages. Upon its registration, the EC Council concluded that the GI would not mislead the public as to the identity of the product, which is the standard embodied in Article 14(3) of the Regulation.<sup>516</sup>

7.573 Australia alleges that the GI "Bayerisches Bier" could be used in a manner that would result in a likelihood of confusion with these prior trademarks.<sup>517</sup> In response to a direct question from the Panel, the European Communities did not deny this specific allegation. It only responded that "in principle" a name registered following the assessment required by Article 14(3) "should not give rise to confusion when used subsequently" and submitted that "in practice" this may happen only when the registered name is used together with other signs or as part of a combination of signs. This was a conspicuous choice of words because in the same response it commented in detail on two other specific cases which it considered irrelevant to the dispute.<sup>518</sup>

7.574 Australia also alleges that three Czech beer GIs, "Budejovické pivo", "Ceskobudejovické pivo" and "Budejovický mešt'anský var" could be used in a manner that would result in a likelihood of confusion with the prior trademarks BUDWEISER and BUD, registered in respect of beer.<sup>519</sup> In response to a direct question from the Panel, the European Communities did not deny that these GIs could be used in a manner that would result in a likelihood of confusion with these prior trademarks. Instead, it pointed to an endorsement on the three GI registrations that they apply "without prejudice to any beer trademark or other rights existing in the European Union on the date of accession".<sup>520</sup> This might imply that it accepts a likelihood of confusion, but considers that there are other means besides Article 14(3) to deal with that.

7.575 There appears to be an inconsistency between the European Communities' position that Article 14(3) of the Regulation, in practice, prevents the registration of GIs, use of which would result in a likelihood of confusion with a prior trademark, and its decision to avoid contesting that there may be circumstances in which the four specific GIs referred to above could be used which would not result in such a likelihood of confusion with these specific prior trademarks.

7.576 For the above reasons, the Panel considers that the European Communities has not rebutted Australia's *prima facie* case that Article 14(3) of the Regulation cannot prevent all situations from occurring in which a trademark would be subject to Article 14(2) and, hence, in which the Regulation would limit the rights of the owner of such a trademark.

7.577 The Panel will now proceed to examine whether the TRIPS Agreement requires Members to make available to trademark owners rights against signs when they are used as GIs.

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<sup>516</sup> Council Regulation (EC) No. 1347/2001 reproduced in Exhibit EC-9.

<sup>517</sup> See Australia's response to Panel question No. 137.

<sup>518</sup> The European Communities submitted twice that the EC Council had concluded that the registration of this GI would not lead to a likelihood of confusion with these prior trademarks but this is different from the EC Council's conclusion as stated in the decision on registration. The European Communities later indicated in response to a question from the Panel that the EC Council's conclusion was that the signs were not sufficiently similar to mislead the public, which is closer to the wording of the conclusion as stated in the decision, but not necessarily a likelihood of confusion: see European Communities' first written submission, fn. 140 to para. 288; rebuttal submission, para. 287; and responses to Panel questions Nos. 137 and 143 and compare Council Regulation (EC) No. 1347/2001 *supra* at 516 and the Commission Guide to the Regulation (August 2004 edition, p. 12) in Exhibit EC-64.

<sup>519</sup> The evidence indicates that these trademarks are registered in at least two EC member States and rights to them appear to have been acquired through use in another EC member State: see Exhibits US-53, Section 3.6; US-51, para. 26; and US-82.

<sup>520</sup> European Communities' rebuttal submission, paras. 286-293; response to Panel question No. 142.

## (d) Relationship between protection of GIs and prior trademarks under the TRIPS Agreement

(i) *Main arguments of the parties*

7.578 **Australia** argues that nothing in the TRIPS Agreement justifies a failure to grant the right provided for in Article 16.1. Had the negotiators intended to permit Members to act inconsistently with this obligation, they would have said so explicitly. Article 17 is an express exception to trademarks and nothing in Section 3 of Part II on GI protection could be interpreted in such a way as to create an exception to trademarks.<sup>521</sup>

7.579 Australia does not argue that trademarks must prevail over later GIs.<sup>522</sup> Rather, it argues that Article 24.5, together with Articles 22.3 and 23.2, defines the boundaries of the range of possible actions open to a Member to implement GI protection in relation to trademarks.<sup>523</sup> Article 24.5 does not require or permit any negation or other limitation of the trademark owner's right under Article 16.1.<sup>524</sup> It can only be an exception to the provisions of Section 3 on GI protection in view of its location and title.<sup>525</sup> It also creates a positive right that specified trademark rights cannot be adversely affected.<sup>526</sup>

7.580 Australia argues that the "validity of the registration of a trademark" refers to the ongoing legality of the good faith registration of a trademark. The legal bundle of rights contained in a validly registered trademark includes the exclusive right to prevent confusing use granted under Article 16.1. Measures adopted to implement GI protection cannot undermine that exclusive right. The "right to use a trademark" refers to the ongoing ability to use a trademark to which rights have been acquired through use. Measures adopted to implement GI protection cannot adversely affect such rights.<sup>527</sup> Whatever may have been intended by the phrase the "right to use a trademark", it is separate from, and additional to, the exclusive right to prevent confusing uses required under Article 16.1.<sup>528</sup> It is not required under Section 2 of Part II.<sup>529</sup> Article 24.5 does not refer to the "exclusive" right to use a trademark because trademark rights acquired through use are not always exclusive.<sup>530</sup>

7.581 Australia argues that there is no conflict between Articles 16.1 and 22. With respect to Article 22.2, the only relevance of Article 22.2(a) to trademark rights would be in the context of acquisition of new trademark rights.<sup>531</sup> With respect to Article 22.3, for example, Australian trademark law expressly provides that registration of a trademark may be opposed if it contains or consists of a false GI.<sup>532</sup>

7.582 Australia argues that a complaining party bears the burden of proof where it alleges a breach of obligations pursuant to Article 24.5 but a responding party bears the burden of proof where it relies on Article 24.5 to excuse or justify a measure's inconsistency with another provision. Article 24.5

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<sup>521</sup> Australia's first written submission, para. 104.

<sup>522</sup> Australia's rebuttal submission, para. 96.

<sup>523</sup> Australia's first written submission, para. 74.

<sup>524</sup> Australia's first written submission, para. 106; response to Panel question No. 72.

<sup>525</sup> Australia's response to Panel question No. 78; rebuttal submission, para. 93.

<sup>526</sup> Australia's response to Panel question No. 145.

<sup>527</sup> Australia's response to Panel question No. 76; rebuttal submission, para. 100.

<sup>528</sup> Australia's response to Panel question No. 77.

<sup>529</sup> Australia's rebuttal submission, para. 99.

<sup>530</sup> Australia's rebuttal submission, para. 100.

<sup>531</sup> Australia's response to Panel question No. 146.

<sup>532</sup> Australia's response to Panel question No. 79.

does not alter the scope of Article 16.1 but confirms the continued applicability of the rights granted under Article 16.1 in the circumstances covered by Article 24.5.<sup>533</sup>

7.583 The **European Communities** responds that this claim is unfounded.<sup>534</sup> The TRIPS Agreement recognizes trademarks and GIs as intellectual property rights on the same level, and confers no superiority to trademarks over GIs. The provisions of Section 3 of Part II on GI protection are not "exceptions" to the provision of Article 16.1 on trademark rights. The criteria for registrability of trademarks limit *a priori* the possibility of conflicts between GIs and trademarks but conflicts may arise. Article 16.1 does not address this issue. Rather, the boundary between GIs and trademarks is defined by Article 24.5 which provides for coexistence with earlier trademarks. Article 24.5 must be read with Articles 22.3 and 23.2 which also provide protection to GIs vis-à-vis trademarks.<sup>535</sup> Section 2 of Part II cannot be applied without having regard to Section 3.<sup>536</sup>

7.584 The European Communities argues that Article 24.5 has two implications: (1) with respect to grandfathered trademarks (or applications): (a) Members are not allowed to prejudice the validity of the registration (or the eligibility of the application or the right to use the trademark), but (b) Members may prejudice other rights of the trademark owner, including in particular the right to prevent others from using the sign of which the trademark consists; and (2) with respect to other trademarks (or applications), Members may prejudice any right.<sup>537</sup>

7.585 The European Communities argues that the ordinary meaning of the word "prejudice" used in all three official versions includes the notion of "judge beforehand" but only the word in the English version includes the notion of "cause injury, damage or harm".<sup>538</sup> The phrase "validity of the registration" does not necessarily imply that the registration must confer exclusive rights vis-à-vis all third parties. The fact that the owner cannot prevent use of the same or a similar sign by the GI right holder does not mean that the registration is set aside. The phrase "the right to use a trademark" refers to the basic right of the trademark owner to use the trademark, whether it has been acquired through registration or use.<sup>539</sup> It is the right to use a sign, which is different from the right to prevent others from using the same or a similar sign. If that right were inherent in the term "validity of the registration", it would have been superfluous to refer to the "right to use a trademark" as well. If that right had been intended, the drafters would have referred to the "exclusive right to use a trademark". If that right were inherently exclusive, it would have been superfluous to provide in Article 16.1 that the owners of trademarks shall have exclusive rights. The drafting history shows that the Brussels Draft referred to the continued use of a GI as a trademark, which envisaged coexistence, in a separate provision from the predecessor to Article 24.5. Its transfer to Article 24.5 in the final version did not alter its meaning or purpose.<sup>540</sup>

7.586 The European Communities argues that Article 24.5 is drafted in mandatory terms and imposes self-standing obligations which go beyond those in Section 2 of Part II. This may be illustrated by the case of a Member which provides for the refusal or invalidation of registration of a trademark in terms broader than those in Article 22.3, or which prohibits the use of any trademark acquired by use in terms broader than those in Article 22.2. Both would be consistent with Section 2

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<sup>533</sup> Australia's response to Panel question No. 75(a).

<sup>534</sup> European Communities' first written submission, paras. 269-273.

<sup>535</sup> European Communities' first written submission, paras. 294-300.

<sup>536</sup> European Communities' rebuttal submission, paras. 306-307.

<sup>537</sup> European Communities' first written submission, para. 301.

<sup>538</sup> European Communities' comment on US response to Panel question No. 145.

<sup>539</sup> European Communities' first written submission, para. 305; response to Panel question No. 76.

<sup>540</sup> European Communities' response to Panel question No. 76; rebuttal submission, paras. 327-328.

of Part II but Article 24.5 would prevent either applying to prior trademarks. This would be an obligation arising exclusively under Article 24.5.<sup>541</sup>

7.587 The European Communities argues that if Article 24.5 did not allow coexistence, the protection of GIs provided under Section 3 of Part II would become pointless whenever there is a grandfathered trademark. The phrase "measures adopted to implement this Section" assumes that Members will continue to protect GIs notwithstanding the existence of grandfathered trademarks. Coexistence may not be a perfect solution to resolve conflicts between different types of intellectual property rights but there is no such perfect solution.<sup>542</sup> It is not an unusual solution, since coexistence is envisaged in Articles 23.2 (with respect to a GI and a trademark that is not misleading), 23.3, 24.3 (where pre-existing protection provided for coexistence) 24.4 and 16.1 (vis-à-vis existing prior rights).<sup>543</sup> Article 24.5 embodies a compromise. The European Communities and other participants agreed to make it mandatory on the understanding that the trademark owners would have the right to use the trademark but not the right to exclude use by GI right holders.<sup>544</sup>

7.588 The European Communities argues that there is no "conflict" between Articles 16.1 and 22.3 but that there is a potential "conflict" between Articles 16.1 and 22.2(a), and possibly 23.1. Article 22.2 confers on GI right holders the right to prevent certain uses of trademarks, which may conflict with the right of the trademark owner under Article 16.1 to prevent certain uses of signs. The simultaneous exercise of both rights would lead to a situation where neither the trademark owner nor the GI right holders could use the sign in question. Neither would be able to fulfil its purpose. This conflict is resolved by Articles 22.3, 23.2 and 24.5.<sup>545</sup>

7.589 The European Communities argues that only the object and purpose of the treaty as a whole is relevant to the general rule of treaty interpretation. To the extent that the exclusivity of a trademark is an object and purpose of the TRIPS Agreement, it submits that exclusivity is as essential to a GI or even more essential, because the choice of a GI is not arbitrary, unlike a trademark, and the establishment of a GI takes longer than a trademark.<sup>546</sup>

7.590 The European Communities argues that the complainant bears the burden of proof that a measure falls within the scope of the obligations provided in Article 16.1. Article 24.5 is not an exception but defines the boundary between the obligations in Article 16.1 and a Member's right to implement GI protection. It does not provide an exemption from an obligation but places a limit on the measures that Members must or may take when implementing GI protection under Section 3 of Part II. It confers a right to use a trademark, a right which owners of trademarks acquired through use do not have under Article 16.1 because rights the basis of use are optional under Article 16.1. It notes that Australia cited Article 24.5 in its request for establishment of a panel and makes a claim under that provision in its first written submission.<sup>547</sup>

(ii) *Main arguments of third parties*

7.591 **Argentina** argues that coexistence is inconsistent with Articles 16.1 and 22.3 of the TRIPS Agreement. Article 24.5 sets out a cut-off date different from the one in the Regulation and does not provide for the possibility of limiting the trademark owner's right as the Regulation does. Article 24.4

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<sup>541</sup> European Communities' response to Panel question No. 145.

<sup>542</sup> European Communities' first written submission, para. 307; response to Panel question No. 77.

<sup>543</sup> European Communities' first written submission, para. 308; response to Panel question No. 76.

<sup>544</sup> European Communities' response to Panel question No. 147.

<sup>545</sup> European Communities' rebuttal submission, paras. 308-310; response to Panel question No. 146.

<sup>546</sup> European Communities' response to Panel question No. 76.

<sup>547</sup> European Communities' response to Panel question No. 75; rebuttal submission, paras. 312-315.

determines the boundaries for alternatives available to Members in the implementation of measures relating to GI protection and its link to trademarks.<sup>548</sup>

7.592 **Brazil** argues GIs which are identical to trademarks are likely to create confusion and, consequently, may affect the value of trademarks. Article 16.1 of the TRIPS Agreement provides for a right that covers the use of any sign, and not only that of a trademark, which might cause confusion. The possibility of coexistence between a trademark and a GI is only acceptable in terms of Articles 24.5 and 16.1, read in conjunction, which mean that the use of a GI and the need to protect it must not be at the expense of both trademark owners and consumers, which may undermine the value of a trademark contrary to the "exclusive rights" of a trademark owner under Article 16.1.<sup>549</sup>

7.593 **Colombia** argues that, under the TRIPS Agreement, no form of protection is superior to another. Therefore, the Regulation cannot deny the right of the trademark owner under Article 16.1 of the TRIPS Agreement. Such denial constitutes a clear violation of WTO obligations.<sup>550</sup>

7.594 **Mexico** argues that the exclusive right in Article 16.1 of the TRIPS Agreement is severely nullified by Article 14(2) of the Regulation as it permits coexistence between a prior registered trademark and a later GI. The European Communities' explanation that coexistence is not the perfect solution is an inadequate justification but a recognition of inconsistency. By ignoring the "first in time, first in right" rule, the Regulation not only contravenes Article 24.5 of the TRIPS Agreement but also a recognized general principle of law.<sup>551</sup>

7.595 **New Zealand** argues that Article 16.1 of the TRIPS Agreement provides for a right against "all third parties". Despite an appearance of conflict between the rights in Articles 16.1 and 22.2, each must be read to the fullest extent permissible without conflicting with the other. Article 24.5 is a provision that resolves conflict by compromising this exclusivity, but in all other cases, the rights provided for in Articles 16.1 and 22.2 must both be upheld. Article 14(2) of the Regulation excludes users of a registered GI from the scope of "all third parties" against whom a trademark owner should be able to exercise rights, and is inconsistent with Article 16.1.<sup>552</sup>

7.596 **Chinese Taipei** argues that Articles 16.1 and 22.2 of the TRIPS Agreement must be given their full scope in a manner that would not cause conflict. The Regulation creates precisely such a conflict, rendering Article 16.1 inutile, as the right of trademark owners under that article is negated by coexistence under Article 14(2) of the Regulation. The result is the creation of a hierarchy in which GIs have a superior status than trademarks, which is not contemplated by the TRIPS Agreement.<sup>553</sup>

(iii) *Consideration by the Panel*

7.597 The Panel will now proceed to examine whether the TRIPS Agreement requires Members to make available to trademark owners rights against the use of GIs. This involves two steps: first, we examine the right of trademark owners provided for in Article 16.1 of the TRIPS Agreement and then we continue by examining whether Article 24.5 provides authority to limit that right.

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<sup>548</sup> Annex C, para. 5.

<sup>549</sup> Annex C, para. 36.

<sup>550</sup> Annex C, para. 102.

<sup>551</sup> Annex C, para. 114.

<sup>552</sup> Annex C, paras. 148-151.

<sup>553</sup> Annex C, para. 178.

Article 16.1 of the TRIPS Agreement

7.598 Part II of the TRIPS Agreement contains minimum standards concerning the availability, scope and use of intellectual property rights. The first seven Sections contain standards relating to categories of intellectual property rights. Each Section sets out, as a minimum, the *subject matter* which is eligible for protection, the scope of the *rights conferred* by the relevant category of intellectual property and permitted *exceptions* to those rights.

7.599 Although each of the Sections in Part II provides for a different category of intellectual property, at times they refer to one another<sup>554</sup>, as certain subject matter may be eligible for protection by more than one category of intellectual property. This is particularly apparent in the case of trademarks and GIs, both of which are, in general terms, forms of distinctive signs. The potential for overlap is expressly confirmed by Articles 22.3 and 23.2, which provide for the refusal or invalidation of the registration of a trademark which contains or consists of a GI.<sup>555</sup>

7.600 Section 2 of Part II provides for the category of trademarks. Article 15.1 sets out the definition of the subject matter which is capable of constituting a trademark. These are signs that satisfy certain criteria. Article 16.1 sets out a right which must be conferred on the owner of a registered trademark, and which may also be acquired on the basis of use, as follows:

"1. The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed. The rights described above shall not prejudice any existing prior rights, nor shall they affect the possibility of Members making rights available on the basis of use."

7.601 The right which must be conferred on the owner of a registered trademark is set out in the first sentence of the text. There are certain limitations on that right which relate to use in the course of trade, the signs, the goods or services for which the signs are used and those with respect to which they are registered and the likelihood of confusion. The ordinary meaning of the text indicates that, basically, this right applies to use in the course of trade of identical or similar signs, on identical or similar goods, where such use would result in a likelihood of confusion. It does not specifically exclude use of signs protected as GIs.

7.602 The text of Article 16.1 stipulates that the right for which it provides is an "exclusive" right. This must signify more than the fact that it is a right to "exclude" others, since that notion is already captured in the use of the word "prevent". Rather, it indicates that this right belongs to the owner of the registered trademark alone, who may exercise it to prevent certain uses by "all third parties" not having the owner's consent. The last sentence provides for an exception to that right, which is that it shall not prejudice any existing prior rights. Otherwise, the text of Article 16.1 is unqualified.

7.603 Other exceptions to the right under Article 16.1 are provided for in Article 17 and possibly elsewhere in the TRIPS Agreement. However, there is no implied limitation vis-à-vis GIs in the text of Article 16.1 on the exclusive right which Members must make available to the owner of a registered trademark. That right may be exercised against a third party not having the owner's consent

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<sup>554</sup> For instance, Article 25.2 of the TRIPS Agreement refers to more than one category of intellectual property, as does Article 4 of the IPIC Treaty as incorporated by Article 35 of the TRIPS Agreement.

<sup>555</sup> Articles 22.3 and 23.2, respectively.



on the same terms, whether or not the third party uses the sign in accordance with GI protection, subject to any applicable exception.

Article 24.5 of the TRIPS Agreement

7.604 The parties have referred to Article 24.5 of the TRIPS Agreement. This appears in Section 3 of Part II, which provides for the category of GIs.<sup>556</sup> Article 24.5 provides as follows:

"5. Where a trademark has been applied for or registered in good faith, or where rights to a trademark have been acquired through use in good faith either:

(a) before the date of application of these provisions in that Member as defined in Part VI; or

(b) before the geographical indication is protected in its country of origin;

measures adopted to implement this Section shall not prejudice eligibility for or the validity of the registration of a trademark, or the right to use a trademark, on the basis that such a trademark is identical with, or similar to, a geographical indication."

7.605 The Panel must interpret this provision, like all other provisions of the covered agreements relevant to this dispute, in accordance with the customary rules of interpretation of public international law, as required by Article 3.2 of the DSU. For present purposes, this means the general rule of treaty interpretation contained in Article 31 of the Vienna Convention on the Law of Treaties. This requires an interpretation in good faith in accordance with the ordinary meaning to be given to the terms in their context and in the light of the object and purpose of the agreement. Recourse may be had to supplementary means of interpretation in accordance with Article 32 of that Convention.<sup>557</sup>

7.606 Commencing with the terms of the provision, we observe that Article 24.5 consists of a single sentence, of which the subject is "measures adopted to implement this Section". Article 24.5 appears in Section 3 of Part II of the TRIPS Agreement. Therefore, the reference to "this Section" is a reference to Section 3.

7.607 The principal verb in Article 24.5 is "shall not prejudice". There are various definitions of the verb "prejudice" used in the three authentic language versions of the TRIPS Agreement.<sup>558</sup> The ordinary meaning of the verb "prejudice" in English can be defined as "affect adversely or unfavourably; injure or impair the validity of (a right, claim, etc.)". The latter part of this definition appears particularly apposite in this context since it refers to a right or claim, and the objects of the verb in Article 24.5 are legal rights. However, the European Communities emphasizes that the verbs used in the French and Spanish versions, *préjuger* and *prejuzgar* respectively, correspond to the modern English verb "prejudge". The Panel notes that this is an archaic sense of the English verb "prejudice" now analogous to its use in the phrase "without prejudice". Other usages of the English verb "prejudice" in the TRIPS Agreement outside Article 24 have been rendered differently in the

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<sup>556</sup> Section 3 of Part II consists of three articles: Articles 22, 23 and 24. Article 23 concerns only GIs for wines and spirits, which are not covered by the Regulation. Nevertheless, the meaning of that article is important in understanding Section 3 in general and Article 24 in particular. The Panel therefore refers to it in its examination, where that is helpful.

<sup>557</sup> See, for example, the Appellate Body report on *US – Gasoline*, DSR 1996:I, 3, at 16; Appellate Body report on *Japan – Alcoholic Beverages II*, DSR 1996:I, 97, at 104; and Appellate Body report on *India – Patents (US)*, paras. 45-46.

<sup>558</sup> *The New Shorter Oxford English Dictionary* (1993); *Le Nouveau Petit Robert: Dictionnaire de la langue française* (June 2000) and *Diccionario de la Lengua Española*, 21<sup>st</sup> edition, (1992).

French and Spanish versions, which are equally authentic<sup>559</sup>, to capture the sense of adverse effect or injury, so that that sense should not be read into Article 24.5. Nevertheless, the essence of all these definitions is that the provision does not affect certain other rights. The Panel's task in this dispute is to determine the applicability of Article 24.5. For that purpose, it suffices to note that the verb "shall not prejudice" denotes that the measures that are the subject of that provision shall not affect certain other rights.

7.608 The Panel notes that the word "prejudice" is relatively common in all three versions of the TRIPS Agreement and the phrase "shall not prejudice" or "shall in no way prejudice" occurs three other times in the English version, including once in another exception in Article 24, and once in relation to prior rights in Article 16.1 itself.<sup>560</sup> Read in context, "prejudice" simply appears to be a word which the drafters used to indicate that a particular measure shall not affect certain other rights, including prior rights.

7.609 The objects of the principal verb in Article 24.5 are "the eligibility for or the validity of the registration of a trademark" and "the right to use a trademark". The context indicates the relevance of these rights in Article 24.5. The choice of words "the eligibility for or the validity of the registration of a trademark" reflects the fact that these are the aspects of trademark protection which might otherwise be prejudiced by the obligations to "refuse or invalidate the registration of a trademark" and that "registration of a trademark ... shall be refused or invalidated" in Articles 22.3 and 23.2. In the same way, the choice of the words "the right to use a trademark" reflects the fact that this is the aspect of trademark protection which would otherwise be prejudiced by the obligations to provide the legal means to prevent certain uses in Articles 22.2 and 23.1.<sup>561</sup>

7.610 The European Communities asserts that the words "the right to use a trademark" provide for an additional positive right to use a trademark. However, in the Panel's view, the verb "shall not prejudice" is not capable of supporting this interpretation. It does not provide for the conferral of new rights on trademark owners or GI holders, but provides that the specifically mentioned rights shall not be affected by the measures that are the subject of the provision. If the drafters had intended to grant a positive right, they would have used positive language. Indeed, Article 14(2) of the Regulation (which was adopted prior to the end of the TRIPS negotiations) expressly provides that "a trademark ... may continue to be used" under certain conditions. In contrast, there is no language in Article 24.5 of the TRIPS Agreement which would provide for the conferral of a right to use a trademark. Instead, it is a saving provision which ensures that "the right to use a trademark" is not prejudiced, or affected,

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<sup>559</sup> See the final clause of the WTO Agreement.

<sup>560</sup> The phrase "shall in no way prejudice" appears in all three versions in Article 24.8, and "shall not prejudice" appears in Articles 16.1 and 53.2 in the English version. The phrase "without prejudice" appears in Articles 10.2, 40.3, 50.6, 57 and 59, and the word "prejudice" appears in the exception clauses in Articles 13, 26.2 and 30 (and Article 27.2 in the English version), and also in Article 63.4.

<sup>561</sup> The order of these two exceptions in Article 24.5 reverses the order of the types of protection in relation to *uses* and in relation to *registration of a trademark* in Article 22.2 and 22.3 and in Article 23.1 and 23.2. However, it can be observed that the exceptions followed the same order as the corresponding rights in paragraphs 1 and 2 of the GI exceptions provision in the Brussels Draft, which were the predecessors of Article 24.4 and 24.5 in the final version. Draft paragraph 1 referred to a GI that had been "used", "including use as a trademark", and draft paragraph 2 only referred to "action to refuse or invalidate registration of a trademark": see document MTN.TNC/W/35/Rev.1 dated 3 December 1990 entitled "Draft Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations – Revision", the so-called "Brussels Draft". The phrase "including use as a trademark" was later deleted from paragraph 1 and prior trademark issues, including the right to use a trademark, were dealt with in Article 24.5 in the final version, in that order.

by measures adopted to implement Section 3 of Part II. Irrespective of how the right to use a trademark arises, there is no obligation under Article 24.5 to confer it.<sup>562</sup>

7.611 Even if the TRIPS Agreement does not expressly provide for a "right to use a trademark" elsewhere, this does not mean that a provision that measures "shall not prejudice" that right provides for it instead. The right to use a trademark is a right that Members may provide under national law.<sup>563</sup> This is the right saved by Article 24.5 where it provides that certain measures "shall not prejudice ... the right to use a trademark".<sup>564</sup>

7.612 The context in other paragraphs of Article 24 confirms the Panel's interpretation of "the eligibility for or the validity of the registration of a trademark" and "the right to use a trademark", as used in paragraph 5. Other exceptions in that article also refer to the implications of these two types of protection. Paragraph 4 refers to "continued and similar *use* of a particular [GI] ... identifying wines and spirits"; paragraph 7 refers to "any request made under this Section in connection with the *use* or *registration of a trademark*"; and paragraph 8 refers to "the right of any person to *use*, in the course of trade, that person's name".

7.613 There is no reason to limit the "right to use a trademark" to trademarks acquired through use due to the optical symmetry between, on the one hand, the passive subjects of the first relative clause: "a trademark applied for ... in good faith", "a trademark ... registered in good faith" and "rights to a trademark ... acquired through use in good faith" and, on the other hand, the active objects of the principal verb: "eligibility for ... the registration of a trademark", "the validity of the registration of a trademark" and "the right to use a trademark". The operative parallel is between the rights which shall not be prejudiced and the types of GI protection which would otherwise prejudice them.

7.614 Therefore, according to their ordinary meaning read in context, the terms "shall not prejudice", "the eligibility for or the validity of the registration of a trademark" and "the right to use a trademark" as used in paragraph 5 of Article 24 indicate the creation of exceptions to the obligations to provide two types of GI protection in Section 3. Both these types of protection could otherwise affect the rights identified in paragraph 5. Indeed, the refusal or invalidation of the registration of a trademark has no other function but to extinguish the eligibility for or the validity of the registration of a trademark. Paragraph 5 ensures that each of these types of protection shall not affect those rights.

7.615 Accordingly, the Panel considers that Article 24.5 creates an exception to GI protection - as reflected in the title of Article 24.

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<sup>562</sup> The European Communities' raises the issue of a Member that provides additional GI protection beyond that which is required by Article 22, in support of its view that Article 24.5 imposes self-standing obligations. It argues that in this situation Article 24.5, not Article 22 nor Section 2, would prohibit that Member from invalidating or denying protection to prior trademarks inconsistent with that additional protection. See the European Communities' response to Panel question No. 145. In the Panel's view, this overlooks the subject of Article 24.5 which is "measures adopted to implement ... Section [3]". To the extent that measures implement GI protection beyond that which is required by Article 22 for products other than wines and spirits they are, by definition, not measures adopted to implement Section 3 and Article 24.5 is irrelevant to them. It has not been argued by any party that the Regulation is not such a measure.

<sup>563</sup> This is confirmed in WIPO publications, including *Introduction to Trademark Law & Practice, The Basic Concepts, A WIPO Training Manual* (1993), pp. 51-52, and *WIPO Intellectual Property Handbook: Policy, Law and Use*, (June 2001) at p. 82, cited by the European Communities' in its rebuttal submission, para. 324 and its response to Panel question No. 76. See, for example, Australia's Trade Marks Act 1995, Section 20(1)(a), reproduced in Exhibit EC-58.

<sup>564</sup> Article 16.1 of the TRIPS Agreement only provides for a negative right to prevent all third parties from using signs in certain circumstances. Article 15.3 permits Members to make registrability depend on use and Article 19.1 permits Members to require use in order to maintain a registration, which might imply a right to use the trademark, but any such right is subject to the general law. Article 20 does not preclude a requirement prescribing the use of a trademark in a certain way.

7.616 Both parties submit that Article 24.5 implies certain things. Australia argues that the term "validity of the registration" impliedly refers to all the rights which flow from registration, including the right to prevent uses that would result in a likelihood of confusion. In contrast, the European Communities argues that the use of the more specific language in Article 24.5 in fact implies a limitation on the trademark owner's right to exclude use.<sup>565</sup>

7.617 As to Australia's argument, the Panel notes the contrast between the use of the specific terms "eligibility for or the validity of the registration" in Article 24.5, rather than simply "existing prior rights", which is the language used in the last sentence of Article 16.1. The use of language such as "existing prior rights" would have clearly preserved the right to prevent certain uses without any need for implication. The more specific language used in Article 24.5 does not, which suggests that Article 24.5 does not impliedly preserve that right. However, this does not mean that Article 24.5 authorizes Members to prejudice that right. Members may prejudice that right if there is another provision that obliges or permits them to do so.

7.618 As to the European Communities' argument, the Panel considers that it is difficult to sustain an argument that a limitation which is allegedly implied can prevail over an obligation in a WTO covered agreement which is express. It is evidently the position under the European Communities' domestic law that an implied positive right to use a registered GI prevails over the negative right of a prior trademark holder to prevent confusing uses.<sup>566</sup> However, such an interpretation of the TRIPS Agreement is not possible without a suitable basis in the treaty text. The text of Article 24.5 expressly preserves the right to use a trademark - which is *not* expressly provided for in the TRIPS Agreement - and is silent as to any limitation on the trademark owner's exclusive right to prevent confusing uses of signs - which *is* expressly provided for in the TRIPS Agreement - when the sign is used as a GI.

7.619 Accordingly, the Panel's preliminary conclusion is that it is inappropriate to imply in Article 24.5 *either* the right to prevent confusing uses *or* a limitation on the right to prevent confusing uses.

7.620 The ordinary meaning of the terms in their context must also be interpreted in light of the object and purpose of the agreement. The object and purpose of the TRIPS Agreement, as indicated by Articles 9 through 62 and 70 and reflected in the preamble, includes the provision of adequate standards and principles concerning the availability, scope, use and enforcement of trade-related intellectual property rights. This confirms that a limitation on the standards for trademark or GI protection should not be implied unless it is supported by the text.

7.621 The standards of protection in Part II of the Agreement and, hence, the procedures for their enforcement under Part III, could be undermined by systematic conflicts between the standards for different categories of intellectual property available to different parties but applied to the same subject matter. This is particularly apparent in the case of trademarks and GIs due to the similarity of the subject matter eligible for protection by those two categories of intellectual property and the fact that the rights in respect of uses are indifferent as to whether the infringing subject matter is protected by another category of intellectual property. The subject matter eligible for protection overlaps whilst the rights conferred by each category intersect.

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<sup>565</sup> European Communities' first written submission, para. 301; response to Panel question No. 147.

<sup>566</sup> That position may be evidenced by, among other things, the express provision in the Community Trademark Regulation that it shall not affect the GI Regulation and, in particular, Article 14 thereof. There is no such provision in Section 2 of Part II of the TRIPS Agreement on trademarks that refers to Section 3 of Part II on GIs.

7.622 The European Communities submits that this is a conflict resolved by Article 22.3 (and 23.2) by effectively giving priority to the GI.<sup>567</sup> The Panel agrees that Article 22.3 and Article 23.2 can resolve conflicts with *later* trademarks but they do not resolve conflicts with prior trademarks that meet the conditions set out in Article 24.5.

7.623 The European Communities notes that the simultaneous exercise of two negative rights to prevent uses provided for in Articles 16.1 and 22.2 (and 23.1) can lead to a conflict between different private parties who wish to use an individual sign as a trademark and as a GI. It sees this potential for conflict as a matter which should be avoided in the interpretation of the TRIPS Agreement.

7.624 The Panel notes that the parties do not dispute that *Members* may comply simultaneously with both obligations in the TRIPS Agreement. They do not allege that there are conflicting provisions in the treaty itself.<sup>568</sup> The general rule of treaty interpretation requires us to interpret the treaty in accordance with the ordinary meaning to be given to its terms in their context in the light of its object and purpose. The Panel has had recourse to supplementary means of interpretation, in particular a draft text, in order to confirm the meaning resulting from the application of the general rule of treaty interpretation, which has not left the meaning ambiguous or obscure or led to a result which is manifestly absurd or unreasonable. We would not adopt an approach in treaty interpretation that produced a result that might, on one view, further the object and purpose of the Agreement, but which is not supported by the ordinary meaning to be given to its terms in their context. The following statement by the Appellate Body in *EC – Hormones* appears apposite:

"The fundamental rule of treaty interpretation requires a treaty interpreter to read and interpret the words actually used by the agreement under examination, not words the interpreter may feel should have been used."<sup>569</sup>

7.625 Therefore, the Panel concludes that, under Article 16.1 of the TRIPS Agreement, Members are required to make available to trademark owners a right against certain uses, including uses as a GI. The Regulation limits the availability of that right for the owners of trademarks subject to Article 14(2). Article 24.5 of the TRIPS Agreement is inapplicable and does not provide authority to limit that right.

7.626 The European Communities raises two other defences that, in this respect, the Regulation is justified by exceptions found in Articles 24.3 and 17 of the TRIPS Agreement. The Panel will consider each of these in turn.

(e) Article 24.3 of the TRIPS Agreement

(i) *Main arguments of the parties*

7.627 **Australia** argues that Article 24.3 of the TRIPS Agreement refers to the protection provided by Article 13 of the Regulation, which is subject to the exception in Article 14(2). Removal of the coexistence standard in Article 14(2) of the Regulation would not diminish that protection. Further, Article 24.3 encompasses protection for individual GIs as of 31 December 1994. As of that date, there were no GIs registered under the Regulation, but only GIs registered under the laws of the EC

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<sup>567</sup> European Communities' response to Panel question No. 146.

<sup>568</sup> In this respect, the Panel recalls the findings in the Panel reports on *Indonesia – Autos* at para 14.28; *Turkey – Textiles* at paras. 9.92-9.95; and *EC – Bananas III* at paras. 7.151-7.163.

<sup>569</sup> Appellate Body report on *EC – Hormones*, para. 181.

member States. Finally, Article 24.3 relates only to the implementation of Section 3 and not the trademark right under Article 16.1 of the TRIPS Agreement.<sup>570</sup>

7.628 The **European Communities** argues that it is required to maintain coexistence of GIs and earlier trademarks by Article 24.3 of the TRIPS Agreement, which is a standstill obligation that prohibits Members from diminishing the level of GI protection that existed at the time of entry into force of the WTO Agreement. The Regulation provided for coexistence in Article 14(2) immediately prior to the entry into force of the WTO Agreement. If the European Communities allowed the owners of prior registered trademarks to prevent the use of later GIs, this would diminish the protection of GIs contrary to Article 24.3.<sup>571</sup> The standstill obligation applies to the general level of protection of GIs available in a Member on 1 January 1995 rather than the protection of individual GIs registered or applied for on that date. The relevant verb, "existed", appears in the singular in the French and Spanish versions, which indicates that it refers to the whole phrase "protection of geographical indications" rather than the plural noun "geographical indications". It is an additional obligation, not an exception. It refers to GI protection, which expressly includes protection vis-à-vis trademark rights in Articles 22.3, 23.2 and 24.5. Those provisions limit the trademark obligations under Article 16.1, as does Article 24.3.<sup>572</sup> Article 24.3 applies "[i]n implementing this Section". The Section includes Article 24.5, which prevents Members from invalidating and prohibiting the use of grandfathered trademarks.<sup>573</sup>

(ii) *Main arguments of third parties*

7.629 **New Zealand** informs the Panel that no GIs were registered under the Regulation prior to the entry into force of the TRIPS Agreement. In any case, Article 24.3 is qualified by the phrase "[i]n implementing this Section" and does not justify a breach of the Section on trademarks.<sup>574</sup>

(iii) *Consideration by the Panel*

7.630 The Panel now considers the European Communities' argument that it is required to maintain coexistence of GIs and earlier trademarks by Article 24.3 of the TRIPS Agreement. That provision reads as follows:

"3. In implementing this Section, a Member shall not diminish the protection of geographical indications that existed in that Member immediately prior to the date of entry into force of the WTO Agreement."

7.631 Article 24.3 appears in Section 3 of Part II of the TRIPS Agreement. The reference to "this Section" is therefore a reference to Section 3, which sets out standards for the protection of GIs. The "date of entry into force of the WTO Agreement" was 1 January 1995.

7.632 The scope of Article 24.3 is limited by the introductory phrase "[i]n implementing this Section". It does not apply to measures adopted to implement provisions outside Section 3. Trademark owners' rights, which Members must make available in the implementation of Article 16.1, are found in Section 2. Therefore, Article 24.3 is inapplicable.

7.633 Turning to the ordinary meaning of the terms used in the rest of the provision, the principal verb is "shall not diminish". This indicates that this is a standstill provision, and that it is mandatory.

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<sup>570</sup> Australia's rebuttal submission, paras. 111-117; second oral statement, para. 27.

<sup>571</sup> European Communities' first written submission, paras. 272, 312-314.

<sup>572</sup> European Communities' response to Panel question No. 74.

<sup>573</sup> European Communities' response to Panel question No. 152.

<sup>574</sup> Annex C, para. 158.

The parties do not agree on the meaning of the object of that verb, which is the phrase "the protection of geographical indications" as qualified by the final relative clause. In the English version of the text, that phrase could refer either to "the protection of GIs" as a whole, or to "the protection" of individual GIs. In the French and Spanish versions, which are equally authentic<sup>575</sup>, the verb "existed" in the relative clause is in the singular, which indicates that the "protection of geographical indications" must be interpreted as a whole. It is unclear in all three versions whether this refers to the legal framework or system of protection in a Member that existed immediately prior to 1 January 1995, or to the state of GI protection in a Member that existed at that time in terms of the individual rights which were protected.

7.634 If Article 24.3 referred to a system of protection in a Member, this would have two important consequences. First, as a mandatory provision, it would prevent a Member which had a system that granted a higher level of protection than that provided for in the TRIPS Agreement from implementing the same minimum standards of protection as other Members, even if it wished to do so. For example, in the European Communities, Article 14 of the Regulation entered into force in 1993 but was amended in April 2003 in respect of trademark rights acquired through use.<sup>576</sup> To the extent that those amendments diminished the general level of protection of GIs under the European Communities' system, they would be inconsistent with Article 24.3 on its own view.

7.635 Second, a standstill provision for a system of protection would exclude from the scope of Section 3 not only individual rights already in force under that system as at the date of entry into force of the WTO Agreement, but also rights subsequently granted under that system in perpetuity. This would be a sweeping exclusion which would grow, rather than diminish, in importance, as an increasing number of GIs were protected under the prior legislation. The Panel is reluctant to find such an exclusion in the absence of any clear language to that effect, and none has been drawn to its attention. In this respect, it can be noted that the TRIPS Agreement *does* contain an exclusion for a type of system (in respect of phonograms) in Article 14.4 but it is optional, it clearly refers to a "system" and it is subject to a proviso against abuse. Article 24.3 contains none of these features.

7.636 For these reasons, the Panel interprets the phrase "the protection of geographical indications that existed in that Member immediately prior to the date of entry into force of the WTO Agreement" to mean the state of protection of GIs immediately prior to 1 January 1995, in terms of the individual GIs which were protected at that point in time. In the present dispute, the parties agree that no GIs were registered under the Regulation prior to 1 January 1995. Therefore, Article 24.3 is inapplicable.

7.637 For all the reasons set out above, the Panel concludes that Article 24.3 is inapplicable.

(f) Article 17 of the TRIPS Agreement

(i) *Main arguments of the parties*

7.638 **Australia** argues that the European Communities has not met its burden of proof to establish that the conditions of Article 17 of the TRIPS Agreement are fulfilled. Australia interprets "limited exception" to mean small diminutions to trademark rights. Article 14(2) of the Regulation is not a "limited exception" because it allows coexistence with a pre-existing trademark in every case in which a GI is registered. If Article 17 covered this situation it would render Article 24.5 meaningless. Fair use of descriptive terms does not include use of all descriptive terms, but only such use as is fair. Use of a term in a way with a signifying function, rather than a purely descriptive function, is not "fair use". If a GI was purely descriptive, there would be no need or basis for an intellectual property right

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<sup>575</sup> See the final clause of the WTO Agreement.

<sup>576</sup> See Council Regulation (EC) No. 692/2003, Article 13, and paragraph 11 of the recitals, set out in Exhibit COMP-1h.

and thus, for Section 3 of Part II of the TRIPS Agreement. A trademark does not attract the same spectrum of rights as other categories of intellectual property: it attracts only one right, to prevent uses which result in a likelihood of confusion.<sup>577</sup>

7.639 Article 14(2) does not take account of the legitimate interests of the owner of the trademark because it denies the exclusive right to prevent confusingly similar or identical use required by Article 16.1 of the TRIPS Agreement. A legitimate interest of the owner is to maintain the trademark's capacity to distinguish the owner's goods. Article 17 only permits a small diminution of the capacity to distinguish. The third parties would normally include consumers and other traders. Consumers have a legitimate interest in being able to purchase products which they intended to purchase. Other traders have a legitimate interest in being able to use signs that they *need to use*. For this reason, Article 17 gives the example of fair use of descriptive terms. Having regard to the text of Article 17 and the design and architecture of the TRIPS Agreement generally, Article 17 does not permit a general release from a Member's obligation to grant the basic right attached to a registered trademark in the event of acquisition of another type of intellectual property right without some express recognition of that fact.<sup>578</sup>

7.640 The **European Communities** argues that, in the alternative, the coexistence of GIs and earlier trademarks would be justified under Article 17 of the TRIPS Agreement. It considers that Article 17 is an exception to the obligations in Article 16 and that previous panels have taken the view that the burden of invoking similar exceptions was on the respondent. It accepts that it bears the burden of proof. Article 14(2) of the Regulation is a "limited exception" because it only allows use by those producers who are established in the geographical area on products that comply with the specification. The trademark owner retains the exclusive right to prevent use by any other persons. Coexistence falls within the example of "fair use of descriptive terms" because GIs are descriptive terms, even where they consist of a non-geographical name, and their use to indicate the true origin of goods and the characteristic associated with that origin is "fair".<sup>579</sup>

7.641 The European Communities argues that the legitimate interests of the trademark owner and of third parties are taken into account because Article 14(3) of the Regulation would prevent the most significant cases of confusion, and legislation on labelling, misleading advertising and unfair competition still applies. The legitimate interests of the trademark owner are less than full enjoyment of all exclusive rights under Article 16.1 of the TRIPS Agreement. The legitimate interests of third parties include the interests of producers who use GIs as well as consumers. GIs inform consumers about the origin of products and take account of the interests of third parties in that way. Article 17 of the TRIPS Agreement does not require the avoidance of all likelihood of confusion, otherwise it would be superfluous, nor does it require confusion to be confined to that which is strictly necessary, which would render the example of "fair use of descriptive term" irrelevant. Article 17 calls for a balancing of different interests which, in the present dispute, requires that account should be taken of the fact that trademarks are arbitrary and much easier to create than GIs and GIs are collective rights and also serve a public interest of informing consumers.<sup>580</sup>

(ii) *Main arguments of third parties*

7.642 **Argentina, Brazil, India, Mexico and New Zealand** indicated, in response to a question from the Panel, that they provide certain exceptions to exclusive trademark rights. Examples included

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<sup>577</sup> Australia's rebuttal submission, paras. 120-124; responses to Panel question Nos. 154-156.

<sup>578</sup> Australia's rebuttal submission, paras. 125-127; response to Panel question No. 154.

<sup>579</sup> European Communities' first written submission, paras. 315-318; rebuttal submission, paras. 333-338, 348-350; responses to Panel question No. 75(b).

<sup>580</sup> European Communities' first written submission, para. 319; rebuttal submission, paras. 339-347; responses to Panel questions Nos. 153 and 154; comment on US response to Panel question No. 154.



honest concurrent use, prior use in good faith, comparative advertising, uses for spare parts and certain non-commercial fair uses.<sup>581</sup>

7.643 **New Zealand** also argues that coexistence is not a "limited" exception within the meaning of Article 17 of the TRIPS Agreement because it excludes an entire group of producers from the trademark owner's right to prevent confusing uses, which is a major exception.<sup>582</sup>

(iii) *Consideration by the Panel*

#### Introduction

7.644 The Panel will now consider the European Communities' argument that its particular regime of coexistence between GIs and prior trademarks is justified under Article 17 of the TRIPS Agreement. The European Communities defends its regime of coexistence "as such", not as applied. Therefore, our consideration of this defence focuses almost entirely on the terms of the measure and its potential effects, rather than any actual effects. Nevertheless, we will refer to the few examples of how the GI Regulation has been applied with respect to prior trademarks, where that is instructive.

7.645 Australia submits that the European Communities, as the party asserting that its measure is covered by the exception in Article 17, bears the burden of proving that assertion. The European Communities does not contest this position.<sup>583</sup> Therefore, the Panel will follow this approach in the present dispute.

7.646 Article 17 provides as follows:

#### *"Exceptions*

Members may provide limited exceptions to the rights conferred by a trademark, such as fair use of descriptive terms, provided that such exceptions take account of the legitimate interests of the owner of the trademark and of third parties."

7.647 Article 17 expressly permits Members to provide limited exceptions to the rights conferred by a trademark, which include the right provided for in Article 16.1 of the TRIPS Agreement. The Panel has already found that the Regulation limits the availability of the right provided for in Article 16.1. Therefore, to the extent that it satisfies the conditions in Article 17, this limitation will be permitted under the TRIPS Agreement.

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<sup>581</sup> See their respective comments in Annex C.

<sup>582</sup> Annex C, para. 159.

<sup>583</sup> All parties note that it was the approach of two previous panels to exceptions provisions in Part II of the TRIPS Agreement: see Panel reports on *US – Section 110(5) Copyright Act*, para. 6.239; and *Canada – Pharmaceutical Patents*, para. 7.16. This approach was not contested in those disputes and was adopted without discussion, although the Panel in *Canada – Pharmaceuticals* observed that a respondent cannot demonstrate that no legitimate interest of a patent owner has been prejudiced until it knows what claims of legitimate interests can be made by the complainant. Similarly, the weight of legitimate third party interests cannot be fully appraised until the legitimacy of the patent owner's legitimate interests, if any, are defined: see para. 7.60 of its report. These practical problems also apply in disputes under Article 17. In this regard, the Panel recalls the distinction between the rights and obligations owed by WTO Members to one another under the covered agreements, and the rights conferred by Members on nationals by individual intellectual property rights under the TRIPS Agreement. The burden of proof in WTO dispute settlement between Members relates to the first set of rights and obligations and not to the fact that a provision creates exceptions to the rights to be conferred by Members on the nationals of other Members.

7.648 Article 17 permits "limited exceptions". It provides an example of a limited exception, and is subject to a proviso that "such exceptions take account of the legitimate interests of the owner of the trademark and of third parties". The ordinary meaning of the terms indicates that an exception must not only be "limited" but must also comply with the proviso in order to satisfy Article 17. The example of "fair use of descriptive terms" is illustrative only, but it can provide interpretative guidance because, *a priori*, it falls within the meaning of a "limited" exception and must be capable of satisfying the proviso in some circumstances. Any interpretation of the term "limited" or of the proviso which excluded the example would be manifestly incorrect.

7.649 The structure of Article 17 differs from that of other exceptions provisions to which the parties refer. It can be noted that Articles 13, 26.2 and 30 of the TRIPS Agreement, as well as Article 9(2) of the Berne Convention (1971) as incorporated by Article 9.1 of the TRIPS Agreement, also permit exceptions to intellectual property rights and all contain, to varying degrees, similar language to Article 17. However, unlike these other provisions, Article 17 contains no reference to "conflict with a [or the] normal exploitation", no reference to "unreasonabl[e] prejudice" to the legitimate interests" of the right holder or owner, and it not only refers to the legitimate interests of third parties but treats them on par with those of the right holder. It is also the only one of these provisions which contains an example. Further, Article 17 permits exceptions to trademark rights, which differ from each of the intellectual property rights to which these other exceptions apply. Therefore, whilst it is instructive to refer to the interpretation by two previous panels of certain shared elements found in Articles 13 and 30, it is important to interpret Article 17 according to its own terms.

#### Limited exceptions

7.650 The first issue to decide is the meaning of the term "limited exceptions" as used in Article 17. Australia interprets this in terms of a small diminution of rights. The European Communities does not disagree with this approach. The Panel agrees with the views of the Panel in *Canada – Pharmaceutical Patents*, which interpreted the identical term in Article 30, that "[t]he word 'exception' by itself connotes a limited derogation, one that does not undercut the body of rules from which it is made".<sup>584</sup> The addition of the word "limited" emphasizes that the exception must be narrow and permit only a small diminution of rights. The limited exceptions apply "to the rights conferred by a trademark". They do not apply to the set of all trademarks or all trademark owners. Accordingly, the fact that it may affect only few trademarks or few trademark owners is irrelevant to the question whether an exception is limited. The issue is whether the exception to the *rights conferred by a trademark* is narrow.

7.651 There is only one right conferred by a trademark at issue in this dispute, namely the exclusive right to prevent certain uses of a sign provided for in Article 16.1. Therefore, it is necessary to examine the exception on an individual "per right" basis. This is a legal assessment of the extent to which the exception curtails that right. There is no indication in the text of Article 17 that this involves an economic assessment, although economic impact can be taken into account in the proviso. In this regard, the Panel notes the absence of any reference to a "normal exploitation" of the trademark in Article 17, and the absence of any reference in Section 2, to which Article 17 permits exceptions, to rights to exclude legitimate competition. Rather, they confer, *inter alia*, the right to prevent uses that would result in a likelihood of confusion, which can lead to the removal of products from sale where they are marketed using particular signs, but without otherwise restraining the manufacture, sale or import of competing goods or services.

7.652 The right provided for in Article 16.1 contains several elements and an exception could, in principle, curtail the right in respect of any of them. The Panel recalls these elements in the text of that provision as follows:

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<sup>584</sup> Panel report on *Canada – Pharmaceutical Patents*, para. 7.30.

"The owner of a registered trademark shall have the exclusive right to prevent *all third parties* not having the owner's consent from using in the course of trade *identical or similar signs for goods or services which are identical or similar* to those in respect of which the trademark is registered where such use would result in *a likelihood of confusion.*" [emphasis added]

7.653 In principle, an exception could curtail the right of the owner in respect of the third parties concerned, or with respect to the identity or the similarity of the signs or the goods or services concerned or with respect to the degree of likelihood of confusion, or some combination of these. There may be other possibilities as well. The overriding requirement is that the exception must be "limited" and it must also satisfy the proviso, considered below. These elements provide a useful framework for an assessment of the extent to which an exception curtails the right provided for in Article 16.1.

7.654 The example in the text, "fair use of descriptive terms", provides guidance as to what is considered a "limited exception", although it is illustrative only. Fair use of descriptive terms is inherently limited in terms of the sign which may be used and the degree of likelihood of confusion which may result from its use, as a purely descriptive term on its own is not distinctive and is not protectable as a trademark. Fair use of descriptive terms is *not* limited in terms of the number of third parties who may benefit, nor in terms of the quantity of goods or services with respect to which they use the descriptive terms, although implicitly it only applies to those third parties who would use those terms in the course of trade and to those goods or services which those terms describe. The number of trademarks or trademark owners affected is irrelevant, although implicitly it would only affect those marks which can consist of, or include, signs that can be used in a descriptive manner. According to the text, this is a "limited" exception for the purposes of Article 17.

7.655 Turning to the Regulation, it curtails the trademark owner's right in respect of certain goods but not all goods identical or similar to those in respect of which the trademark is registered. It prevents the trademark owner from exercising the right to prevent confusing uses of a sign for the agricultural product or foodstuff produced in accordance with the product specification in the GI registration. The Panel recalls that, according to Article 2(2) of the Regulation, set out above at paragraph 7.223, those goods must all be produced, processed and/or prepared in the region, specific place or, in exceptional cases, country, the name of which is used to describe them. Goods that are not from that geographical area may not use the GI. Further, according to Article 4 of the Regulation, all products using a GI must comply with a product specification. Products that do not so comply may not use the GI even if they are from the geographical area. The trademark owner's right against all other goods is not curtailed. The Panel notes that there is no limit in terms of the quantity of goods which may benefit from the exception, as long as they conform to the product specification. However, this cannot prevent the limitation on rights of owners of trademarks subject to Article 14(2) from constituting a limited exception for the purposes of Article 17, as fair use of descriptive terms implies no limit in terms of quantity either, and the text indicates that it is a limited exception for the purposes of Article 17. The quantity of goods which benefits from an exception may be related to the curtailment of the rights to prevent the acts of making, selling or importing a product, but these are not rights conferred by a trademark.

7.656 The Regulation curtails the trademark owner's right against certain third parties, but not "all third parties". It prevents the trademark owner from exercising the right to prevent confusing uses against persons using a registered GI on a good in accordance with its registration. This is a limitation on the third parties who may benefit from the exception. The trademark owner's right is not curtailed with respect to any other third parties.

7.657 The Regulation curtails the trademark owner's right in respect of certain signs but not all signs identical or similar to the one protected as a trademark. It prevents the trademark owner from

exercising its right to prevent use of an indication registered as a GI in accordance with its registration. The Panel recalls its finding earlier in paragraph 7.522 that the GI registration does not confer a positive right to use any other signs or combinations of signs nor to use the name in any linguistic versions not entered in the register. The trademark owner's right is not curtailed against any such uses. If the GI registration prevented the trademark owner from exercising its rights against these signs, combinations of signs or linguistic versions, which do not appear expressly in the GI registration, it would seriously expand the exception and undermine the limitations on its scope.

7.658 Under the Regulation, once a GI has been registered and a trademark is subject to the coexistence regime under Article 14(2), set out above at paragraph 7.524, the GI may, in principle, be used without regard to the likelihood of confusion that it may cause. However, the Regulation refers to the likelihood or risk of confusion, with a given mark, which would result from use as a GI of an identical or similar sign, in Articles 7(5)(b), 12b(3) and 12d(3) in relation to the decision on whether to register a GI where an objection is admissible. Article 7(4) (and hence Article 12b(3)) provides a ground for objection where registration would jeopardize the existence of a mark, and Article 14(3) provides a ground for refusal of registration which refers to the trademark's reputation and renown and the length of time it has been used. These factors are relevant to the likelihood of confusion which could result from subsequent use of the GI. The Panel recalls its finding in paragraph 7.525 that Article 14(2) is an exception to Article 13, which presupposes a consideration of the similarity of the signs and goods as well. They are essential to an analysis of a likelihood of confusion. Whilst Articles 7(4), 12b(3) and 14(3) do not specifically refer to the concept of likelihood of confusion between a GI and a trademark subject to the exception in Article 14(2), they, together with Articles 7(5)(b), 12b(3) and 12d(3) can ensure that, in cases where the likelihood of confusion is relatively high, the exception simply does not apply.

7.659 The Panel notes that Article 14(2) only expressly provides that the trademark may continue to be used. However, the European Communities has emphasized that the trademark owner retains the right to prevent the use of a name registered as a GI by any person in relation to any goods which originate in a different geographical area or which do not comply with the specifications<sup>585</sup>, and that the positive right to use the GI extends only to the linguistic versions that have been entered in the register and not to other names or signs which have not been registered.<sup>586</sup> Accordingly, on the basis of the terms of the GI Regulation and of the Community Trademark Regulation, and the explanation of them provided by the European Communities, the Panel finds that not only may the trademark continue to be used, but that the trademark owner's right to prevent confusing uses is unaffected, except with respect to the use of a GI as entered in the GI register in accordance with its registration.

7.660 Furthermore, the European Communities has explained that the use of a name registered as a GI is subject to the applicable provisions of the food labelling and misleading advertising directives so that the ways in which it may be used are not unlimited.<sup>587</sup>

7.661 For the above reasons, the Panel finds that the Regulation creates a "limited exception" within the meaning of Article 17 of the TRIPS Agreement.

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<sup>585</sup> European Communities' first written submission, para. 317; rebuttal submission, para. 336; responses to Panel questions Nos. 76 and 153.

<sup>586</sup> European Communities' rebuttal submission, paras. 288, 293 and 301; responses to Panel questions Nos. 63, 137 and 140; and comment on US response to Panel question No. 137.

<sup>587</sup> *Supra* at note 495 and European Communities' first written submission, para. 319; response to Panel question No. 153.

The proviso to Article 17

7.662 Limited exceptions must satisfy the proviso that "such exceptions take account of the legitimate interests of the owner of the trademark and of third parties" in order to benefit from Article 17. The Panel must first establish what are "legitimate interests". Read in context, the "legitimate interests" of the trademark owner are contrasted with the "rights conferred by a trademark", which also belong to the trademark owner. Given that Article 17 creates an exception to the rights conferred by a trademark, the "legitimate interests" of the trademark owner must be something different from full enjoyment of those legal rights. The "legitimate interests" of the trademark owner are also compared with those of "third parties", who have no rights conferred by the trademark. Therefore, the "legitimate interests", at least of third parties, are different from simply the enjoyment of their legal rights. This is confirmed by the use of the verb "take account of", which is less than "protect".

7.663 The Panel agrees with the following view of the Panel in *Canada – Pharmaceutical Patents*, which interpreted the term "legitimate interests" of a patent owner and third parties in the context of Article 30 as follows:

"To make sense of the term 'legitimate interests' in this context, that term must be defined in the way that it is often used in legal discourse – as a normative claim calling for protection of interests that are 'justifiable' in the sense that they are supported by relevant public policies or other social norms."<sup>588</sup>

In our view, this is also true of the term "legitimate interests" of a trademark owner and third parties in the context of Article 17.

7.664 The legitimacy of some interest of the trademark owner is assumed because the owner of the trademark is specifically identified in Article 17. The TRIPS Agreement itself sets out a statement of what all WTO Members consider adequate standards and principles concerning trademark protection. Although it sets out standards for legal rights, it also provides guidance as to WTO Members' shared understandings of the policies and norms relevant to trademarks and, hence, what might be the legitimate interests of trademark owners. The function of trademarks can be understood by reference to Article 15.1 as distinguishing goods and services of undertakings in the course of trade. Every trademark owner has a legitimate interest in preserving the distinctiveness, or capacity to distinguish, of its trademark so that it can perform that function. This includes its interest in using its own trademark in connection with the relevant goods and services of its own and authorized undertakings. Taking account of that legitimate interest will also take account of the trademark owner's interest in the economic value of its mark arising from the reputation that it enjoys and the quality that it denotes.

7.665 Turning to the Regulation, the evidence shows that the owner's legitimate interest in preserving the distinctiveness, or capacity to distinguish, of its trademark can be taken into account in various ways. Article 7(4) of the Regulation provides that a statement of objection shall be admissible *inter alia* if it shows that the registration of the proposed GI would "jeopardize the existence ... of a mark". This requires GI registration to be refused.

7.666 Article 14(3) also requires the refusal of GI registration in light of a trademark's reputation and renown and the length of time it has been used, if a particular condition is fulfilled. This addresses the distinctiveness, or capacity to distinguish, of prior trademarks and can ensure that, in cases where trademark owners' legitimate interests would be most likely to be affected, the exception in Article 14(2) simply does not apply.

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<sup>588</sup> Panel report on *Canada – Pharmaceutical Patents*, para. 7.69.

7.667 In the one instance in which Article 14(3) has been applied, the European Communities informs the Panel that its authorities:

"[T]ook account of the submissions made by the interested parties and by some Member States, as well as of the discussions which took place within the Committee. The main facts taken into consideration were the similarity of the signs; the similarity of the products, having regard to the production methods and organoleptic properties; the date of registration of the trademark; the recognition of the trademark in the different EC member States, having regard in particular to the level of exports; and the labeling practices of the trademark and the proposed geographical indication."<sup>589</sup>

7.668 This indicates to the Panel that Article 14(3) of the Regulation was, in fact, applied to take account *inter alia* of the legitimate interest of the trademark owners to protect the distinctiveness of their respective marks.

7.669 In the other instance to which the parties refer, the registration of the three Czech beer GIs contains an endorsement that they apply "without prejudice to any beer trademark or other rights existing in the European Union on the date of accession".<sup>590</sup> Although the European Communities has confirmed that such an endorsement is unique and it has not explained in what other circumstances such an endorsement might be possible, this example does show that, at least in this case, not only the legitimate interests of trademark owners, but also their rights, have been taken into account.

7.670 Where Articles 7(4) and 14(3) of the Regulation are unavailable, and a trademark is subject to Article 14(2), there remains the possibility that its distinctiveness will be affected by the use of the GI. The Panel does not consider this fatal to the applicability of Article 17 given that, as a provision permitting an exception to the exclusive right to prevent uses that would result in a likelihood of confusion, it presupposes that a certain degree of likelihood of confusion can be permitted. In the light of the provisions of Articles 7(4) and 14(3), we are satisfied that where the likelihood of confusion is relatively high, the exception in Article 14(2) will not apply. In any event, even where the exception does apply, Article 14(2) expressly provides that the trademark may continue to be used, on certain conditions.

7.671 The Panel notes that the proviso to Article 17 requires only that exceptions "take account" of the legitimate interests of the owner of the trademark, and does not refer to "unreasonabl[e] prejudice" to those interests, unlike the provisos in Articles 13, 26.2 and 30 of the TRIPS Agreement and Article 9(2) of the Berne Convention (1971) as incorporated by Article 9.1 of the TRIPS Agreement. This suggests that a lesser standard of regard for the legitimate interests of the owner of the trademark is required.

7.672 The Panel also notes that there may be situations where, in order to take account of the legitimate interests of the owner of a trademark and third parties, practical conditions may be required to distinguish the goods with the trademark from those using the GI and to distinguish the respective undertakings.

7.673 For these reasons, the Panel considers that the exception created by the Regulation takes account of the legitimate interests of the owner of the trademark within the meaning of Article 17. This finding is confirmed by responses to a question from the Panel which revealed that, of over 600

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<sup>589</sup> European Communities' response to Panel question No. 143. Although there is no supporting evidence, all of the considerations cited by the European Communities correspond to factors set out in Articles 13 and 14(3) of the Regulation.

<sup>590</sup> European Communities' rebuttal submission, paras. 286-293; response to Panel question No. 142.

GIs registered under the Regulation over a period of eight years, the complainants and third parties are unable to identify any that, in their view, could be used in a way that would result in a likelihood of confusion with a prior trademark, with four exceptions.<sup>591</sup> Three of these are the Czech beer GIs, the registration of which is subject to the endorsement set out earlier. The only remaining example is "Bayerisches Bier", in respect of which the complainants have not shown an example of actual likelihood of confusion with a prior trademark.

7.674 The Panel will now consider whether the exception created by the Regulation takes account of the legitimate interests of third parties.

7.675 The parties to this dispute agree that "third parties" for the purposes of Article 17 include consumers. The function of a trademark is to distinguish goods and services of undertakings in the course of trade. That function is served not only for the owner, but also for consumers. Accordingly, the relevant third parties include consumers.<sup>592</sup> Consumers have a legitimate interest in being able to distinguish the goods and services of one undertaking from those of another, and to avoid confusion.

7.676 Turning to the Regulation, Article 14(3) expressly addresses consumers, by providing for the refusal of GI registration where "registration is liable to mislead the consumer as to the true identity of the product". In the one instance in which Article 14(3) has been applied, the European Communities informs the Panel that:

"In essence, it was concluded that, although the products were similar, the signs were not sufficiently similar to mislead the public, having regard to the degree of recognition of the trademark in the different Member States."<sup>593</sup>

7.677 This indicates to the Panel that Article 14(3) of the Regulation was, in fact, applied to take account *inter alia* of the legitimate interests of consumers.

7.678 The Panel also observes, once again, that a name can only be registered as a GI where it is used to describe an agricultural product or a foodstuff. It is a precondition to GI registration that some consumers do, in fact, understand that the GI refers to the product from that geographical area with particular qualities or characteristics, which means that they do not consider that it indicates the trademark owner's goods.

7.679 The European Communities submits that "third parties" for the purposes of Article 17 include persons using a GI in accordance with a GI registration. The Panel agrees. Article 17 permits an exception to the rights conferred by a trademark which include, according to Article 16.1, a right to prevent "all third parties" from using certain signs. The basis of the complainant's claim is that those third parties include GI users. It is logical that, if GI users are included in the third parties subject to the trademark owner's right, they are also included in the third parties taken into account in assessing the availability of an exception to that right.

7.680 The legitimacy of the interests of GI users is reflected in the TRIPS Agreement itself, to which all WTO Members have subscribed. Under Section 3 of Part II, all WTO Members agree to provide certain protection to GIs, although they remain free to determine the appropriate method of implementing those provisions in accordance with Article 1.1. The definition of a GI in Article 22.1 reflects a legitimate interest that a person may have in identifying the source and other characteristics of a good by the name of the place where it is from, if the name would serve that purpose.

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<sup>591</sup> See responses to Panel question No. 47 and Annex C.

<sup>592</sup> This is confirmed by the reference in Article 16.2 to "the relevant sector of the public", in relation to well-known trademarks.

<sup>593</sup> European Communities' response to Panel question No. 143.

Nevertheless, as "legitimate interests", the interests of GI users as third parties within the meaning of Article 17 would be different from the legal protection provided for in Articles 22 and 23.

7.681 The Panel recalls that the example contained in Article 17 itself of "fair use of descriptive terms" provides some guidance as to what may satisfy its proviso. Its use of the word "fair" and the nature of descriptive terms illustrate a public policy concern that certain terms should be available for use under certain conditions. Although GIs are intellectual property rights, and not purely descriptive terms, the function of the terms in the example is analogous to a descriptive function of GIs and provides contextual support for the notion that the interest of GIs users in using a place name to indicate their products is "legitimate".

7.682 Turning to the Regulation, Article 2(2) provides that a "designation of origin" or a "geographical indication" "means the name of a region, a specific place or, in exceptional cases, a country, used to *describe* an agricultural product or a foodstuff ..." (emphasis added). There are additional conditions relevant to the origin and quality, reputation or characteristics of the product. Further, the European Communities has confirmed that use of a GI remains subject to the requirements of the food labelling and misleading advertising directives which prohibit certain misleading and deceptive uses.<sup>594</sup> These considerations support the view that the interests of GI users of which the Regulation takes account are "legitimate".

7.683 Article 13 of the Regulation sets out the protection conferred by GI registration. In providing such protection, the Regulation not only "takes account" of this legitimate interest, it also provides legally enforceable rights.

7.684 For these reasons, the Panel considers that the exception created by the Regulation takes account of the legitimate interests of third parties within the meaning of Article 17.

7.685 On the basis of the evidence presented to the Panel, which is necessarily limited given that Article 14(3) of the Regulation has only been applied once, and for all of the above reasons, the Panel concludes that the European Communities has succeeded in raising a presumption that the exception created by the Regulation to the trademark owner's right provided for in Article 16.1 of the TRIPS Agreement is justified by Article 17 of the TRIPS Agreement. Australia has not succeeded in rebutting that presumption.

7.686 Therefore, the Panel concludes that with respect to the coexistence of GIs with prior trademarks, the Regulation is inconsistent with Article 16.1 of the TRIPS Agreement but, on the basis of the evidence presented to the Panel, this is justified by Article 17 of the TRIPS Agreement. Articles 24.3 and Article 24.5 of the TRIPS Agreement are inapplicable.

## **2. Identical signs for identical goods**

(a) Presumption of confusion

(i) *Main arguments of the parties*

7.687 **Australia** claims that the measure at issue is inconsistent with Article 16.1 of the TRIPS Agreement because it does not "provide for" or "implement" the presumption of a likelihood of

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<sup>594</sup> *Supra* at note 495 and European Communities' first written submission, para. 319; response to Panel question No. 153.



confusion in the case of use of an identical sign for identical goods.<sup>595</sup> The provisions of the Regulation do not grant to the authorities the necessary discretion to apply that presumption.<sup>596</sup>

7.688 The **European Communities** refers to its defence to the previous claim and makes some additional comments: Members are not required to reproduce explicitly the presumption of Article 16.1 in their domestic law as long as the authorities have the necessary discretion and comply with the presumption in practice. It is extremely unlikely that this situation will ever present itself in practice in view of the trademark registrability criteria and the GI definitions and product specifications. If the situation should arise, Article 14(3) of the Regulation would permit the authorities to implement the presumption. This claim is purely theoretical as none of the GIs actually registered fall within this situation.<sup>597</sup>

(ii) *Main arguments of third parties*

7.689 **Brazil** does not agree with the European Communities that there is no need to "reproduce explicitly" the presumption in Article 16.1 of the TRIPS Agreement as long as the registering authority or the courts had adequate discretion to apply it. In Brazil's view, even if the domestic law of each EC member State incorporated the presumption, this would not mean that the Community-level registration under the Regulation also provided for its incorporation.<sup>598</sup>

7.690 **New Zealand** refers to the second ground for admissibility of objections in Article 7(4) of the Regulation. It agrees with Australia that the Regulation is inconsistent with Article 16.1 of the TRIPS Agreement because the owner of a registered trademark may not be able to object successfully to a proposed GI registration even if its use would constitute use of an identical or similar sign that would result in a likelihood of confusion.<sup>599</sup>

(iii) *Consideration by the Panel*

7.691 Article 16.1 of the TRIPS Agreement, in its first sentence, provides for a right that refers to "identical or similar" "signs" and "goods or services" and depends on a "likelihood of confusion". In its second sentence, it provides for a presumption of a "likelihood of confusion" with respect to use of an "identical sign for identical goods or services". Therefore, the second sentence clarifies how the first sentence is implemented, in particular circumstances.

7.692 The Panel refers to its conclusion on the previous claim, which is based on the finding that the first sentence of Article 16.1 is applicable, and that the Regulation prevents the exercise of the right that it requires to be conferred. It follows that the presumption in the second sentence, which governs implementation of the first sentence, is also applicable, in the particular circumstances that it sets out.

7.693 Australia has argued that the measure at issue does not "provide for" or "implement" a presumption of a likelihood of confusion in the case of use of an identical sign for identical goods. There is no requirement that the text of the GI Regulation, or its related or implementing measures, should explicitly "provide for" this presumption. As for the discretion granted to authorities under the Regulation, Australia has only demonstrated that the Regulation "as such" does not permit the authorities to implement the presumption in the second sentence only to the extent that it does not permit them to implement the right provided for in the first sentence. Therefore, a finding on this

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<sup>595</sup> Australia's first written submission, para. 93 and subheading.

<sup>596</sup> Australia's rebuttal submission, para. 138.

<sup>597</sup> European Communities' first written submission, paras. 320-324.

<sup>598</sup> Annex C, para. 30.

<sup>599</sup> Annex C, para. 153.

claim will not provide any additional contribution to a positive solution to this dispute and the Panel declines to consider it further.

### 3. Trademark owners' right to object to GI registration

#### (a) Admissibility of objections

##### (i) *Main arguments of the parties*

7.694 **Australia** claims that the Regulation is inconsistent with Article 16.1 of the TRIPS Agreement because it does not ensure that objections to registration are admissible on the grounds that use of the GI would result in a likelihood of confusion. Article 7(4) of the Regulation provides that objections are only admissible if the GI does not comply with the conditions in the Regulation or registration would "jeopardize the existence" of an entirely or partly identical trademark. This requirement also applies to objections by persons resident or established in other WTO Members by virtue of Articles 12b(3) and 12d(2).<sup>600</sup>

7.695 Australia argues that a right of objection is necessary to allow exercise of the right expressly required by Article 16.1 of the TRIPS Agreement, although a right of objection itself may not be expressly required. An objection procedure is the only means available to a trademark owner to prevent a confusing use. The standard of "jeopardize the existence" is a far more rigorous standard than a "likelihood of confusion".<sup>601</sup>

7.696 The **European Communities** responds that Article 16.1 of the TRIPS Agreement does not grant a right to object to the registration of trademarks, GIs or other intellectual property rights. Objection procedures in general are addressed in Article 62.4 of the TRIPS Agreement and trademark objection procedures specifically are addressed in Article 15.5. The right to object is not necessary to "exercise" effectively the substantive right provided for in Article 16 if final registration decisions are subject to judicial review in accordance with Article 62.5.<sup>602</sup>

7.697 The European Communities argues that Article 7(4) of the Regulation permits objections if the proposed GI would jeopardize the existence of the mark, regardless of whether it is entirely or partially identical. It refers to the French and Spanish versions of the Regulation and asserts that this ground is broad enough to encompass the likelihood of confusion with the trademark.<sup>603</sup> This is confirmed by the fact that Australia is unable to identify any case in which the grounds of objection were limited in the manner alleged.<sup>604</sup> Australia bears the burden of proof and must show that this reading is unreasonable and that it is impossible to read Article 7(4) of the Regulation consistently with Article 16.1 of the TRIPS Agreement.<sup>605</sup>

##### (ii) *Main arguments of third parties*

7.698 **Brazil** argues that EC nationals would be able to protect a GI to the detriment of a prior registered trademark much more rapidly and efficiently than another WTO Member national would be able to defend trademark rights vis-à-vis an application for registration.<sup>606</sup>

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<sup>600</sup> Australia's first written submission, paras. 88-92.

<sup>601</sup> Australia's rebuttal submission, paras. 131, 133.

<sup>602</sup> European Communities' first written submission, paras. 327-333.

<sup>603</sup> European Communities' first written submission, paras. 334-338.

<sup>604</sup> European Communities' rebuttal submission, para. 353, citing Australia's response to EC question

No. 1.

<sup>605</sup> European Communities' second oral statement, para. 230.

<sup>606</sup> Annex C, para. 31.

(iii) *Consideration by the Panel*

7.699 Article 16.1 of the TRIPS Agreement sets out the minimum right which Members must provide to the owners of registered trademarks and which they may also make available on the basis of use. It is a right for trademark owners to prevent certain uses. The Panel takes note that trademark owners are not able to exercise their right to prevent use of a GI after GI registration. However, Australia has not explained why the trademark owner's right to prevent use implies a right to object to GI registration.

7.700 Article 15.5 provides for a right of objection to registration *of a trademark* but there is no corresponding provision in Part II regarding the registration *of a GI*. There are provisions on the acquisition and maintenance of intellectual property rights, including GIs, in Article 62. These specifically refer to related *inter partes* procedures such as opposition, revocation and cancellation, in paragraph 4, which is cross-referenced in paragraph 5. The opportunity or right to object forms part of an opposition procedure. However, Article 62 lies outside the Panel's terms of reference.

7.701 For these reasons, the Panel concludes that Australia has not made a *prima facie* case in support of this claim.

(b) Consideration of objections

(i) *Main arguments of the parties*

7.702 **Australia** also claims that the Regulation is inconsistent with Article 16.1 of the TRIPS Agreement because it does not ensure that an objection by the owner of a registered trademark will be considered by the "ultimate decision maker", being the regulatory committee of EC member States. This applies to objections filed by persons resident or established in an EC member State under Article 7(1) of the Regulation and also objections filed by persons resident or established in other WTO Members under Article 12b(2) and 12d(1). Australia argues that consideration of an objection by the regulatory committee is essential to a registered trademark owner being able to exercise the rights required to be conferred by Article 16.1 of the TRIPS Agreement.<sup>607</sup> Australia disagrees with the European Communities' views on estoppel.<sup>608</sup>

7.703 The **European Communities** refers to its defence to the previous claim. It adds that the Committee established under Article 15 of the Regulation is not the "ultimate decision maker". Further, the authorities of the EC member States are not required to transmit objections to the Commission, but their decisions are not discretionary and may be subject to judicial review based on procedural requirements of their respective administrative laws. Whilst the authorities of other WTO Members enjoy complete discretion in the transmission of objections to the Commission, those Members would be estopped from complaining that the refusal of their own authorities to transmit an objection had infringed the trademark rights of their own nationals.<sup>609</sup>

(ii) *Consideration by the Panel*

7.704 The Panel refers to its findings at paragraphs 7.699 and 7.700 and concludes, for the same reasons, that Australia has not made a *prima facie* case in support of this claim.

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<sup>607</sup> Australia's first written submission, paras. 94-99.

<sup>608</sup> Australia's rebuttal submission, paras. 73-83.

<sup>609</sup> European Communities' first written submission, paras. 339-344; second oral statement, para. 231.

## E. OTHER CLAIMS

## 1. Minimum standards of GI protection

## (a) Main arguments of the parties

7.705 **Australia** claims that the European Communities fails to provide at Community level the legal means for interested parties to prevent uses in respect of a GI registered, or proposed to be registered, under the Regulation, contrary to Article 22.2 of the TRIPS Agreement.<sup>610</sup> It argues that the obligation under Article 22.2 of the TRIPS Agreement creates an obligation "in respect of" GIs which means "as concerns" GIs. The obligation is not limited to actions to protect GIs, but extends to any situation that concerns GIs, including a situation involving the proposed registration of a GI that potentially constitutes an act of unfair competition within the meaning of Article 10*bis* of the Paris Convention (1967).<sup>611</sup>

7.706 Australia argues, by way of example, that it is entirely possible that there are products which, while originally based on a European production process, have been further developed and refined outside the European country of origin and which have subsequently come to represent the "international" trading standard for that product. Registration of that name as a GI – although it may qualify for registration - could well constitute misleading use or an act of unfair competition within the meaning of Article 10*bis* of the Paris Convention (1967).<sup>612</sup> Australia does not challenge any particular GI as contrary to Article 22.2 of the TRIPS Agreement, but argues that the European Communities has failed to provide the legal means by which interested parties can seek to test "such issues" in relation to the registration of a GI under the Regulation.<sup>613</sup>

7.707 Australia argues that the European Communities is not obliged to comply with a particular obligation through a single measure applicable throughout its territory but rather, while it can choose to offer more extensive protection of GIs at the Community level, it must also ensure that it does not breach its TRIPS obligations in doing so. The European Communities has effectively implemented a TRIPS right – at the Community level – without also effectively implementing at the same level the concurrent TRIPS obligations.<sup>614</sup> An assertion that the European Communities complies with Article 22.2 of the TRIPS Agreement under the laws of the EC member States is an admission that the Regulation itself does not comply. The Regulation disturbs what may otherwise be sufficient to meet the European Communities' obligations.<sup>615</sup>

7.708 The **European Communities** considers that this claim is insufficiently argued but responds as follows: (1) It considers that Article 22.2 of the TRIPS Agreement is concerned exclusively with the protection of GIs. It cannot be invoked by a trademark right holder to prevent the use of a GI; (2) The use of a validly registered GI, which is otherwise consistent with the TRIPS Agreement, cannot mislead the public as to the geographical origin of the goods. Registration of the GI seeks to avoid precisely that; and (3) Registration or use of a GI consistently with domestic law cannot constitute an act of unfair competition within the meaning of Article 10*bis* of the Paris Convention (1967). In any event, registered GIs remain subject to EC labelling and misleading advertising legislation and the unfair competition laws of the EC member States. These other measures and the

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<sup>610</sup> Australia's first written submission, paras. 7 and 61.

<sup>611</sup> Australia's first written submission, paras. 154-155.

<sup>612</sup> Australia's rebuttal submission, para. 170. See also its response to Panel question No. 24.

<sup>613</sup> Australia's second oral statement, para. 85.

<sup>614</sup> Australia's responses to Panel questions Nos. 81 and 82.

<sup>615</sup> Australia's second oral statement, para. 112.

Regulation apply cumulatively. In any event, registration of a GI is not a "use". (4) There is no requirement that protection must be at the Community level.<sup>616</sup>

7.709 The European Communities comments as follows on the example of a product name which has become generic: (a) It does not understand how use of a name which is not generic but is a GI in the country of protection could be misleading; (b) Article 22.2 concerns acts against the holders of GIs as defined in Article 22.1, not other parties; (c) the exercise of a right conferred by a Member to comply with the TRIPS Agreement is not a dishonest practice in international trade; and (d) Article 22.2(a) requires the protection of GIs unless they have become generic in the country of protection, but Australia's example implies that Article 22.2(b) prevents the protection of GIs if they have become generic in another country.<sup>617</sup>

(b) Consideration by the Panel

7.710 The Panel begins its consideration of this claim by noting that Article 22.2 of the TRIPS Agreement provides as follows:

"2. In respect of geographical indications, Members shall provide the legal means for interested parties to prevent:

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

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

7.711 The term "geographical indications" is defined in Article 22.1 of the TRIPS Agreement. It is not disputed that registered "designations of origin" and registered "geographical indications", as defined in the Article 2(2) of the Regulation, are a subset of "geographical indications" as defined in Article 22.1 and therefore relevant to the European Communities' implementation of Article 22.2.

7.712 Article 22.2 creates an obligation that applies "in respect of" geographical indications. The ordinary meaning of the word "respect" as used in that phrase can be defined as "relation, connection, reference, regard. Earliest in *have respect to*; now chiefly in *with respect to*, *in respect to*".<sup>618</sup>

7.713 This is a very broad phrase. However, in accordance with the general rule of treaty interpretation, the ordinary meaning of the phrase "in respect of" must be interpreted in context and in the light of the object and purpose of the Agreement.

7.714 Article 22.2 is found in Section 3 of Part II of the TRIPS Agreement. Part II sets out minimum standards concerning the availability, scope and use of intellectual property rights, which is one of the objects and purposes of the Agreement, as highlighted in paragraph (b) of the second recital in its preamble. The first seven sections of Part II contain standards relating to categories of intellectual property rights. Each Section provides for a different category of intellectual property, setting out, as a minimum, the subject matter which is eligible for protection, the scope of the rights conferred by the relevant category of intellectual property and permitted exceptions to those rights.

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<sup>616</sup> European Communities' first written submission, paras. 411-415; rebuttal submission, para. 393; response to Panel question No. 159.

<sup>617</sup> European Communities' rebuttal submission, paras. 386-392.

<sup>618</sup> *The New Shorter Oxford English Dictionary* (1993).

Section 3 contains all these features for the category of GIs, as highlighted in its title, which reads "Protection of Geographical Indications". Article 23.1 expressly provides for protection to prevent use of a GI for wines and spirits. Whilst the protection of GIs affects the protection of trademarks, as expressly recognized in Articles 22.3 and 23.2, Section 3 does not provide for trademark protection, except to the extent that trademark systems are used to protect GIs. Therefore, read in context, the obligation in Article 22.2 to provide certain legal means "in respect of" GIs, is an obligation to provide for the protection of GIs.<sup>619</sup> Australia's claim does not appear to concern the protection of GIs, but rather the protection of other subject matter *against* the protection of GIs. Therefore, it does not disclose a cause of action under Article 22.2.

7.715 With respect to the example of product names that may satisfy the conditions for protection in the Member where protection is sought but which have become the international trading standard for a product, it is not entirely clear what Australia means by the term "international trading standard". However, it suffices to note that Article 22.2 applies to geographical indications that satisfy the definition in Article 22.1. Article 22.2 does not apply to generic terms, as confirmed by Article 24.6. Each Member applies the definition of GIs with respect to its own territory so that the question whether the indication is generic or otherwise not entitled to protection in another Member's territory is not relevant, unless the other Member is the country of origin.

7.716 Australia's example does not concern another Member that is the country of origin, and therefore is inapposite to Article 22.2.

7.717 With respect to the suggestion that the European Communities must provide the legal means to test issues such as those in the above example, the Panel notes that Article 22.2 creates an obligation to provide the legal means to prevent certain uses. To the extent that Australia's reference to the testing of issues relates to the right to seek eventual legal relief, it has failed to demonstrate what uses covered by Article 22.2 are permitted by the Regulation without a legal means of prevention.

7.718 For the above reasons, the Panel rejects Australia's claim under Article 22.2 of the TRIPS Agreement.

## 2. Articles 10bis and 10ter of the Paris Convention (1967)

### (a) Main arguments of the parties

7.719 **Australia** claims that the European Communities denies to nationals of other WTO Members effective protection against unfair competition and appropriate legal remedies to repress effectively all acts of unfair competition, contrary to Article 2.1 of the TRIPS Agreement "incorporating Articles 10bis(1) and 10ter(1) of the Paris Convention (1967)".<sup>620</sup> This claim is based on the argument that the Regulation provides a Community-wide system of registration of GIs that provides effective protection from acts of unfair competition, including in relation to later trademark applications, within the Community, but not a Community-wide system of effective protection of trademarks from acts of unfair competition arising from the later registration of GIs under the Regulation.<sup>621</sup> Australia argues that Article 10bis(1) includes the obligation to protect trademarks against unfair competition from a GI and that Article 10ter(1) therefore ensures that a Member

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<sup>619</sup> Consequently, whilst Article 22.4 provides for protection *against* GIs, it only applies to the protection *of* other GIs.

<sup>620</sup> Australia's first written submission, paras. 6 and 60. Australia quotes the text of Articles 10bis and 10ter and Bodenhausen, see *supra* at 79, p. 144, on the meaning of Article 10bis(2), in first written submission, paras. 75 and 76, fns. 32, 33 and 34; and rebuttal submission, para. 144, referring to the same source and WIPO Model Provisions on Protection against Unfair Competition set out in Exhibit AUS-9.

<sup>621</sup> Australia's first written submission, paras. 10, 113-118.

provides the mechanisms necessary to assure protection against unfair competition "in any guise"<sup>622</sup> and to assure to nationals of other Members effective protection against unfair competition that permits account to be taken of honest practices established in international trade.<sup>623</sup> Australia confirms that it seeks distinct findings in respect of its claim under Article 10*bis* pursuant to Article 2.1 of the TRIPS Agreement and its claim under Article 22.2(b) of the TRIPS Agreement.<sup>624</sup>

7.720 The **European Communities** responds that this claim is insufficiently argued and difficult to understand. Australia does not explain how the use of a registered GI, which is otherwise consistent with the TRIPS Agreement and, in particular, Articles 16 and 24.5, could constitute an act of unfair competition within the meaning of Article 10*bis*(1) of the Paris Convention (1967). In any event, the use of a registered GI remains subject to EC legislation on labelling and misleading advertising, as well as the laws of the EC member States on unfair competition, which are outside the Panel's terms of reference. There is no basis in Article 10*bis*(1), or anywhere else in the Paris Convention (1967) for the proposition that the protection against unfair competition must be provided at any given territorial level. The claim under Article 10*ter*(1) of the Paris Convention (1967) is unfounded for the same reasons.<sup>625</sup> The European Communities responded to the claim under Article 2.1 of the TRIPS Agreement separately, and argued that, as a consequence of the other two claims, this claim was also unfounded.<sup>626</sup>

(b) Consideration by the Panel

7.721 The Panel notes that Australia's claims relate to two provisions of the Paris Convention (1967) and the protection of trademarks against acts of unfair competition arising from the later registration of GIs. These claims are based on the assertion that where the European Communities implements "Community-wide" protection for GIs against unfair competition arising from trademark protection, it must also implement Community-wide protection for trademarks against unfair competition arising from GI protection.

7.722 The European Communities indicated that it had difficulty understanding the claims but it responded as set out in paragraph 7.720.

7.723 Australia's response to the European Communities' concerns was that "[i]t is irrelevant that the EC might not understand" how the use of a TRIPS-consistent GI could constitute an act of unfair competition and that "[i]t is also irrelevant" that the use of a registered GI remains subject to legislation on labelling, misleading advertising and unfair competition laws.<sup>627</sup> However, it did provide an additional element to its arguments when it referred to Article 10*bis*(2) and speculated as follows:

"It may be that, having regard to the principle of territoriality and to developments in international trade over time, recognition of a TRIPS-defined GI could constitute an act of unfair competition within the meaning of Paris Article 10*bis*(2)."

7.724 The Panel sought clarification from Australia as to the relevance of the fact that a measure is or is not applicable throughout a Member's territory, and whether Australia's claim was related to the fact that the EC member States are also WTO Members. Australia reiterated the assertion in its claim, but added that the European Communities had effectively implemented a "TRIPS right", at

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<sup>622</sup> Australia's response to Panel question No. 82.

<sup>623</sup> Australia's rebuttal submission, paras. 144-145.

<sup>624</sup> Australia's response to Panel question No. 161.

<sup>625</sup> European Communities' first written submission, paras. 398-402.

<sup>626</sup> European Communities' first written submission, paras. 403-404.

<sup>627</sup> Australia's rebuttal submission, para. 146.

Community level, without also effectively implementing at the same level the concurrent "TRIPS obligations".<sup>628</sup> Australia did not explain why, in its view, the right to provide more extensive protection than that required by the minimum standards of the TRIPS Agreement entailed "concurrent" obligations.

7.725 The Panel observed that these claims related to trademark protection and sought clarification from Australia on the need for additional conclusions if there were a conclusion on the claims under Article 16.1 of the TRIPS Agreement. Australia reiterated its assertion of an obligation to protect trademarks against unfair competition from a GI, but added that these provisions together ensure that a Member actually provides the mechanisms necessary to ensure protection against unfair competition "in any guise". Australia did not elaborate on why, in its view, the GI Regulation should provide such protection. Its final comments on these claims were as follows:

"The obligations established by Paris Articles 10*bis*(1) and 10*ter*(1) are straightforward, and WTO Members are required to comply with those obligations by the terms of TRIPS Article 2.1. *Australia does not have to explain* how the use of a registered EC-defined GI could constitute an act of unfair competition within the meaning of those provisions of the Paris Convention. That would be determined by the body required to be empowered by the EC to consider such matters in the event that the holder of an industrial property right within the EC considered that such issues may be raised by the registration of an EC-defined GI." [emphasis added]

7.726 The Panel has reviewed Australia's submissions, statements and responses to questions and notes that, whilst Australia has repeatedly stated the obligations with which it alleges inconsistencies, it has not clearly explained the fundamental premise of its claims, which is that the European Communities must provide at Community-level protection for trademarks against unfair competition arising from GIs. Nor has it clearly explained why the measure at issue should provide that protection. The Panel considers that those issues needed to be explained. The Panel itself sought clarification of certain issues and notes that the respondent also raised these matters in its first written submission.

7.727 The Panel cannot relieve Australia of its responsibility to prove its case. Some evidence, although not necessarily specific instances, was required to indicate what uses covered by Article 10*bis* of the Paris Convention (1967) are permitted by the Regulation without a legal means of prevention. Australia's speculative remark "having regard to the principle of territoriality and to developments in international trade over time" restated the nature of the measure at issue and the nature of the obligation at issue without making a clear link between the two. Australia's example of products that have become the "international" trading standard, considered in the previous sub-section in relation to Article 22.2(b) of the TRIPS Agreement, does not appear to relate to the present claim, which relates to the protection of *trademarks* from acts of unfair competition. Consequently, Australia has not demonstrated that legal remedies are required in accordance with Article 10*ter*(1) either.

7.728 Accordingly, the Panel concludes that Australia has not made a prima facie case in support of its claims under Articles 10*bis* and 10*ter* of the Paris Convention (1967) "as incorporated in" the TRIPS Agreement.<sup>629</sup>

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<sup>628</sup> Australia's response to Panel question No. 81.

<sup>629</sup> This does not imply any view as to whether and in what respects Articles 10*bis* and 10*ter* of the Paris Convention (1967) are incorporated by Article 2.1 of the TRIPS Agreement.



### 3. Claims under Part III of the TRIPS Agreement

#### (a) Main arguments of the parties

7.729 **Australia** claims that the Regulation is inconsistent with Articles 41.1, 41.2, 41.3 and 42 of the TRIPS Agreement because of the provisions concerning objections by a trademark right holder, and the functioning of the regulatory committee.<sup>630</sup>

7.730 The **European Communities** responds that these claims are unfounded because Part III of the TRIPS Agreement does not apply to the Regulation. The Regulation lays down an administrative procedure for the acquisition of GIs via a system of registration and does not purport to regulate enforcement procedures, which are the subject of Part III of the TRIPS Agreement.<sup>631</sup>

#### (b) Consideration by the Panel

7.731 These claims are made under the obligations with respect to enforcement procedures found in Part III of the TRIPS Agreement. The obligations in Part III are applicable to intellectual property rights covered by the Agreement, including geographical indications, by virtue of the definition of "intellectual property" in Article 1.2 and the first sentence of Part III. However, Australia's claims concern an *inter partes* procedure permitting objections which is related to the acquisition of intellectual property rights under the Regulation. As such, it is covered by Part IV of the TRIPS Agreement, not Part III. The general principles in Article 41.2 and 41.3 apply to such *inter partes* procedures, where a Member's law provides for them, by virtue of Article 62.4 of the TRIPS Agreement. However, Article 62.4 is outside the Panel's terms of reference. Accordingly, the Panel rejects these claims.

### 4. Claims concerning transitional national protection

#### (a) Main arguments of the parties

7.732 **Australia** claims that the Regulation does not ensure that decisions by EC member States to grant transitional national protection pursuant to Article 5(5) do not diminish the protection of trademarks under the TRIPS Agreement, in the same way as registration of GIs at the Community level. As a consequence, it claims that the Regulation is inconsistent with Article 2.1 ("incorporating Articles 10*bis*(1) and 10*ter*(1) of the Paris Convention (1967)"), Articles 16.1, 41.1, 41.2, 41.3 and/or 42 of the TRIPS Agreement. It submits that these claims are independent of its other claims.<sup>632</sup>

7.733 The **European Communities** responds that these claims are dependent on the substantive claims and are equally unfounded.<sup>633</sup>

#### (b) Consideration by the Panel

7.734 These claims concern Article 5(5) of the Regulation, which provides that, in certain circumstances, an EC member State may "on a transitional basis only, grant on the national level a protection in the sense of the present Regulation" for GIs pending a decision on registration by the Commission.

7.735 The Panel recalls once again that, in its preliminary ruling of 5 April 2004, it assured the European Communities that "it is fully entitled to know the arguments of Australia during the course

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<sup>630</sup> Australia's first written submission, paras. 119-148.

<sup>631</sup> European Communities' first written submission, paras. 357-389, 393-397.

<sup>632</sup> Australia's first written submission, paras. 149-150; rebuttal submission, paras. 162-165.

<sup>633</sup> European Communities' first written submission, paras. 407-408.

of the proceedings. Those arguments must be set out and may be clarified in Australia's submissions."<sup>634</sup>

7.736 Australia has cited a series of numbered provisions of the TRIPS Agreement and provided narrative text that paraphrases those provisions, but it has set out little in the way of supporting arguments. It has not explained whether Article 5(5) grants EC member States authority to continue to apply national legislation, what is the nature or content of that protection, how it can diminish trademark protection "in the same way" as the protection granted by registration under the Regulation nor how this is alleged to violate enforcement obligations in Part III of the TRIPS Agreement. Therefore, it is not clear why Australia considers that the Regulation should ensure that decisions of EC member States should be taken with proper regard to the provisions of the TRIPS Agreement. Accordingly, Australia has not made a prima facie case in support of its claim.

## 5. Claims concerning individual registrations

### (a) Main arguments of the parties

7.737 **Australia** claims, for reasons related to the amendment of the Regulation in April 2003, violations of the national treatment obligations in Articles 2(1) and 2(2) of the Paris Convention as incorporated by Article 2.1 of the TRIPS Agreement, and in Article 3.1 of the TRIPS Agreement, the obligation in Article 2.1 of the TRIPS Agreement to comply with Articles 1 through 12 and 19 of the Paris Convention (1967), and the obligation in Article 1.3 of the TRIPS Agreement to accord the treatment provided for in the TRIPS Agreement to the nationals of other Members.<sup>635</sup>

7.738 Australia notes that as of April 2003, more than 120 GIs had been registered under the Regulation according to a procedure which granted a right of objection to persons resident or established in an EC member States but not to nationals of other WTO Members not resident or established in an EC member State. The amendment inserted Article 12d which grants a right of objection to persons resident or established in WTO Members, but did not provide any right of objection to GIs already registered or adjust the period for lodgement of objections to applications which were pending.<sup>636</sup>

7.739 Australia also notes that as of April 2003, more than 480 GIs had been registered under a simplified procedure under the former Article 17 which granted a right of objection to EC member States but not to the nationals of other WTO Members. The amendment repealed Article 17 but did not grant a right of objection to nationals of other WTO Members in respect of GIs already registered or affect the continuing registrations in any other way.<sup>637</sup>

7.740 In response to a question from the Panel, Australia indicated that it seeks relief in respect of existing registration for which the European Communities did not comply with Articles 16.1, 22.2, 41.1, 41.2, 41.3 and 42 of the TRIPS Agreement and Article III:4 of the GATT 1994.<sup>638</sup> It submits that its claims under these provisions, as well as its claims under Article 2.1 of the TRIPS Agreement, "incorporating" Articles 10*bis* and 10*ter* of the Paris Convention (1967), and Article 24.5 of the TRIPS Agreement, encompass the registration of 480 GIs under the simplified procedure.<sup>639</sup> However, it does not challenge any specific individual registration.

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<sup>634</sup> See para. 40 of the 5 April 2004 preliminary ruling set out in para. 7.2 of this report.

<sup>635</sup> Australia's first written submission, paras. 189 and 194.

<sup>636</sup> Australia's first written submission, paras. 184-188.

<sup>637</sup> Australia's first written submission, paras. 190-193.

<sup>638</sup> Australia's response to Panel question No. 92.

<sup>639</sup> Australia's comment on the EC response to Panel question No. 163.

7.741 The **European Communities** responds that the individual registrations themselves are not in violation of national treatment obligations. Australia's claim is based exclusively on the argument that no right of objection was available to third country nationals under the Regulation prior to its amendment. The rules governing the procedure leading up to the adoption of the measure are not the same as the measure itself. It is not clear how an individual registration that grants protection to a specific GI could grant less favourable treatment to third country nationals.<sup>640</sup> Moreover, under the simplified procedure, there was no right of objection to European Communities residents *or* third country residents.<sup>641</sup>

7.742 The European Communities considers it important to remark that Australia is seeking a retroactive remedy that it could not have obtained had it attacked the measure while it was still in force. It submits that it is universally accepted that Article 19.1 of the DSU signifies that the recommendations of panels and the Appellate Body are prospective, not retrospective, in nature. Even if Australia had challenged the Regulation before it was amended, it could not have claimed that the European Communities undo all the registrations already carried out or reopen a possibility of objection against such registrations or provide compensation.<sup>642</sup>

7.743 The European Communities considers that Australia's claims under provisions other than the national treatment provisions were raised after its first written submission and without any supporting arguments. In any case, these claims relate to objection procedures, which are optional under the TRIPS Agreement and unrelated to the treatment of products under GATT 1994.<sup>643</sup>

(b) Consideration by the Panel

7.744 The Panel notes that these claims concern individual registrations effected under the former Article 17 of the Regulation, which has been repealed, and under Article 6 of the Regulation, which remains in effect.

7.745 With respect to individual registrations effected under the former Article 17 of the Regulation, the Panel recalls its ruling in paragraph 7.17 that it will make findings with respect to prior versions of the Regulation where they serve some useful purpose in reaching conclusions with respect to measures within its terms of reference, including individual registrations, that are currently in force.

7.746 The simplified procedure under the former Article 17 of the Regulation granted no right of objection. Article 7 provides for objections, but the former Article 17(2) provided that Article 7 "shall not apply" under the simplified procedure. Australia directs our attention to a judgement of the European Court of Justice, concerning protection of the name "Feta", which made reference to Article 17(2). However, the Panel notes that the findings of the Court in that judgement do not suggest that a right of objection under Article 7 applied under the simplified procedure.<sup>644</sup>

7.747 The Panel noticed that the initial registrations under Article 17 in 1996 recited provisions of the Regulation that concerned prior trademark rights.<sup>645</sup> In response to a question from the Panel, the European Communities explains that this was an implicit reference to "Bayerisches Bier" which was

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<sup>640</sup> European Communities' first written submission, paras. 158-161, 171.

<sup>641</sup> European Communities' first written submission, para. 172; rebuttal submission, paras. 186-190.

<sup>642</sup> European Communities' first written submission, paras. 162-169, 171; rebuttal submission, paras. 179-185 and 191-196.

<sup>643</sup> European Communities' rebuttal submission, paras. 171-173; response to Panel question No. 163.

<sup>644</sup> *Denmark, Germany and France v Commission*, joined Cases C-289/96, C-293/96 and C-299/96 [1999] ECR I-01541: see Australia's first written submission, para. 191 and Exhibit COMP-11. The Panel refers to para. 92 of the findings of the Court.

<sup>645</sup> Commission Regulation (EC) No. 1107/96 set out in Exhibit COMP-3a.

not registered at that time "[b]ecause of the concerns raised by the owners of the trademarks at issue and by some Member States".<sup>646</sup> On the basis of that statement alone, Australia asserts that "[c]learly, there was indeed a mechanism available to at least some EC trademark right holders to make their objections known in the context of the decision-making process provided by Article 15 of Regulation No. 2081/92."<sup>647</sup> However, Australia has not been any more specific concerning this mechanism.<sup>648</sup> Therefore, Australia has not demonstrated the first premise of its national treatment claim with respect to individual registrations effected under the former Article 17, which was that there was a difference in the procedures or opportunities for objections themselves.

7.748 With respect to individual registrations effected under Article 6 of the Regulation, Article 7(3) provides a prior right to submit statements of objections to EC member States to persons resident or established within the European Communities. The European Communities amended the Regulation in April 2003 by inserting Article 12d, which provides a right to submit statements of objections to the authorities of other WTO Members to persons resident or established in those other WTO Members. Therefore, with respect to registrations effected under Article 6, there *was* previously a difference in the objection procedures. However, Australia does not challenge the procedures for objections as they stood prior to the April 2003 amendment. It challenges individual registrations effected under the Regulation, including all those effected prior to that amendment, which remain in effect. It does not challenge any specific individual registration.<sup>649</sup>

7.749 The Panel observes that the act of registration, and the omission of not allowing objections from foreign residents, both occurred in the past, prior to the date of establishment of the Panel. The provisions of the Regulation which provided for these acts and omissions have been amended and no longer exist as they did at the time of the registrations. However, the individual registrations, in terms of the legal protection which flows from those registrations in accordance with Article 13 of the Regulation, constitute subject matter which continues to exist. Therefore, the TRIPS Agreement is applicable to them.<sup>650</sup>

7.750 Nevertheless, Australia has not demonstrated how individual registrations, as opposed to the procedures under which they were granted, either under the former Article 17 or the current Article 6, are inconsistent with the European Communities' obligations under the TRIPS Agreement, either in respect of national treatment or any of the other obligations that that agreement lists, because it effectively asserts the identity of the past act of registration and the presently existing subject matter.

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<sup>646</sup> European Communities' response to Panel question No. 144.

<sup>647</sup> Australia's comment on the EC response to Panel question No. 163.

<sup>648</sup> Australia's national treatment claims under the TRIPS Agreement with respect to the regulatory procedure under Article 15 are considered at paragraphs 7.390 to 7.402 above.

<sup>649</sup> The Panel asked Australia to clarify the form of the recommendations which it seeks in respect of individual registrations. Australia did not identify any specific individual registrations. Instead, it replied that "Australia seeks rulings and recommendations to the degree necessary to establish the extent to which the EC's actions in registering – and thus providing ongoing protection to – more than 600 EC-defined GIs were inconsistent with the EC's obligations under the covered agreements at the time at which those EC – defined GIs were registered, thus enabling those continuing registrations to be brought into conformity with the EC's obligations under the covered agreements". The Panel also asked Australia whether it sought relief in respect of individual registrations in respect of their continuing inconsistency with trademark rights to be conferred under Article 16.1 of the TRIPS Agreement and, if so, to list the individual registrations. It replied that "Australia is not able to say which individual registrations may have constituted a denial of rights to trademark right holders ... or to another party with a legitimate interest under any of the cited provisions. With due respect, however, nor can the EC legitimately say that its actions have not resulted in a denial of rights required to have been granted or made available under the TRIPS Agreement ...." See Australia's responses to Panel questions Nos. 91 and 93.

<sup>650</sup> This is consistent with the approach of the Appellate Body to patents granted prior to the date of application of the TRIPS Agreement in *Canada – Patent Term*, at para. 69.

The continuing individual registrations are the subject of Australia's claims here, but Australia does not submit any evidence relating to them, either individually or as a group, other than the circumstances surrounding the act of registration, and the fact that they remain in force.

7.751 Therefore, in view of the finding in paragraph 7.750 and, additionally with respect to individual registrations under Article 17, the findings in paragraph 7.747, the Panel concludes that Australia has failed to make a prima facie case in support of its claims with respect to individual registrations.

## 6. Claim under Article 1.1 of the TRIPS Agreement

### (a) Main arguments of the parties

7.752 **Australia** claims that, as a consequence of the Regulation's inconsistencies with various provisions of the TRIPS Agreement, the European Communities has failed to comply with Article 1.1 of the TRIPS Agreement.<sup>651</sup> This claim does not address a separate aspect of the Regulation but Australia does seek confirmation that a WTO Member is obliged to give effect to the provisions of the TRIPS Agreement before it is able to offer more extensive protection for one particular category of intellectual property right.<sup>652</sup>

7.753 The **European Communities** responds that these claims are dependent on the substantive claims and are equally unfounded.<sup>653</sup>

### (b) Consideration by the Panel

7.754 Article 1.1 of the TRIPS Agreement provides as follows:

"1. Members shall give effect to the provisions of this Agreement. Members may, but shall not be obliged to, implement in their law more extensive protection than is required by this Agreement, provided that such protection does not contravene the provisions of this Agreement. Members shall be free to determine the appropriate method of implementing the provisions of this Agreement within their own legal system and practice."

7.755 The Panel notes that the first sentence creates an obligation for Members to give effect to the provisions of the TRIPS Agreement and the second sentence recognizes Members' freedom to implement more extensive protection, subject to a condition. After the expiry of the transitional arrangements in Articles 65 and 66 (and 70.8 and 70.9), as applicable, a Member is obliged to give effect to the provisions of the Agreement with respect to each category of intellectual property right, irrespective of whether it implements more extensive protection in the same or another category of intellectual property right.

7.756 The Panel notes that Australia's claim under Article 1.1 is a consequential claim and considers that further findings on it would not provide any additional contribution to a positive solution to this dispute. The Panel exercises judicial economy with respect to this claim.

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<sup>651</sup> Australia's first written submission, paras. 153, 189, 194, 206.

<sup>652</sup> Australia's response to Panel question No. 82.

<sup>653</sup> European Communities' first written submission, paras. 405-406.

## 7. Consequential claims

### (a) Main arguments of the parties

7.757 **Australia** claims that the Regulation is inconsistent with Article 65.1 of the TRIPS Agreement, which obliged the European Communities to apply the provisions of the TRIPS Agreement no later than 1 January 1996, because the actions alleged in its other claims constitute contraventions of the European Communities' obligations under the TRIPS Agreement.<sup>654</sup>

7.758 **Australia** claims that the European Communities has not complied with Article XVI:4 of the WTO Agreement.<sup>655</sup> as a consequence of the Regulation's inconsistency with various provisions of the TRIPS Agreement, GATT 1994 and the TBT Agreement, and of the European Communities' failure to observe its obligations pursuant to Articles 1.1, 2.1 and 65.1 of the TRIPS Agreement.

7.759 The **European Communities** responds that these claims are dependent on the substantive claims and are equally unfounded.<sup>656</sup>

### (b) Consideration by the Panel

7.760 The Panel notes that these are consequential claims and considers that findings on them would not provide any additional contribution to a positive solution to this dispute. Therefore, the Panel exercises judicial economy with respect to these claims.

## VIII. CONCLUSIONS AND RECOMMENDATION

8.1 In light of the findings set out in this report, the Panel concludes as follows:

*From Section A of the findings:*

- (a) the measures and claims in Australia's request for establishment of a panel did not fail to meet the requirements of Article 6.2 of the DSU that it identify the specific measures at issue and provide a brief summary of the legal basis of the complaint sufficient to present the problem clearly;
- (b) the claims under Article 2(2) of the Paris Convention (1967) are within the Panel's terms of reference;
- (c) the claim under Article 4 of the Paris Convention (1967), as incorporated by Article 2.1 of the TRIPS Agreement and, consequently, under Article 24.5 of the TRIPS Agreement, is outside the Panel's terms of reference;
- (d) the claim under Article 41 in conjunction with Articles 43, 44, 45, 46, 48 and 49 of the TRIPS Agreement is outside the Panel's terms of reference;

*From Section B of the findings:*

- (e) Australia has made a prima facie case that the equivalence and reciprocity conditions in Article 12(1) of the Regulation apply to the availability of protection for GIs that refer to geographical areas located in third countries outside the European

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<sup>654</sup> Australia's first written submission, paras. 207-208.

<sup>655</sup> Australia's first written submission, paras. 266-267.

<sup>656</sup> European Communities' first written submission, paras. 502-503.

Communities, including WTO Members and the European Communities has not succeeded in rebutting that case;

- (f) the Regulation is inconsistent with Article 3.1 of the TRIPS Agreement:
  - (i) with respect to the equivalence and reciprocity conditions, as applicable to the availability of protection;
  - (ii) with respect to the application procedures, insofar as they require examination and transmission of applications by governments; and
  - (iii) with respect to the objection procedures, insofar as they require verification and transmission of objections by governments;
- (g) Australia has not made a prima facie case in support of its claims that the Regulation is inconsistent with Article 3.1 of the TRIPS Agreement and with Article 2(1) of the Paris Convention (1967) as incorporated by Article 2.1 of the TRIPS Agreement:
  - (i) with respect to the equivalence and reciprocity conditions, as allegedly applicable to objections; or
  - (ii) with respect to the regulatory committee;
- (h) the Regulation does not impose a requirement of domicile or establishment inconsistently with Article 2(2) of the Paris Convention (1967) as incorporated by Article 2.1 of the TRIPS Agreement:
  - (i) with respect to the availability of protection for GIs;
  - (ii) with respect to the application procedures; or
  - (iii) with respect to the objection procedures;
- (i) the Regulation is inconsistent with Article III:4 of GATT 1994:
  - (i) with respect to the equivalence and reciprocity conditions, as applicable to the availability of protection; and
  - (ii) with respect to the application procedures, insofar as they require examination and transmission of applications by governments, and these requirements are not justified by Article XX(d) of GATT 1994;
- (j) Australia has not made a prima facie case in support of its claims that the Regulation is inconsistent with Article III:4 of GATT 1994 with respect to the regulatory committee;
- (k) Australia has not made a prima facie case in support of its claim that the Regulation is inconsistent with Article 2.1 of the TBT Agreement with respect to the labelling requirement;

*From Section C of the findings:*

- (l) Article 2.2 of the TBT Agreement is inapplicable to the inspection structures requirements, read together with Article 4 of the Regulation, and the Panel rejects Australia's claim;

*From Section D of the findings:*

- (m) the Regulation is inconsistent with Article 16.1 of the TRIPS Agreement with respect to the coexistence of GIs with prior trademarks but this is justified by Article 17 of the TRIPS Agreement. In this respect:
  - (i) Article 24.3 of the TRIPS Agreement is inapplicable; and
  - (ii) Article 24.5 of the TRIPS Agreement is inapplicable;
- (n) Australia has not made a prima facie case in support of its claims that the Regulation is inconsistent with Article 16.1 of the TRIPS Agreement with respect to the right of objection of trademark owners;

*From Section E of the findings:*

- (o) the Panel rejects Australia's claim under Article 22.2 of the TRIPS Agreement;
- (p) Australia has not made a prima facie case in support of its claims that the Regulation is inconsistent with Article 10*bis* and 10*ter* of the Paris Convention (1967) "as incorporated in the TRIPS Agreement";
- (q) the Panel rejects Australia's claims under 41.1, 41.2, 41.3 and 42 of the TRIPS Agreement (except as noted at paragraph 8.1(d));
- (r) Australia has not made a prima facie case in support of its claims with respect to transitional national protection; and
- (s) Australia has not made a prima facie case in support of its claims with respect to individual registrations.

8.2 The Panel exercises judicial economy with respect to Australia's claims under:

- (a) Article 2(1) of the Paris Convention (1967), as incorporated by Article 2.1 of the TRIPS Agreement (except as noted at paragraph 8.1(g))
- (b) Article 16.1 of the TRIPS Agreement (with respect to the presumption of confusion);
- (c) Articles 1.1 and Article 65.1 of the TRIPS Agreement;
- (d) Article III:4 of GATT 1994 (except as noted in paragraph 8.1); and
- (e) Article XVI:4 of the WTO Agreement.

8.3 Under Article 3.8 of the DSU, in cases where there is an infringement of the obligations assumed under a covered agreement, the action is considered prima facie to constitute a case of nullification or impairment. The Panel concludes that, to the extent that the Regulation as such is



inconsistent with the covered agreements, it has nullified or impaired benefits accruing to Australia under these agreements.

8.4 In light of these conclusions, the Panel recommends pursuant to Article 19.1 of the DSU that the European Communities bring the Regulation into conformity with the TRIPS Agreement and GATT 1994.

8.5 The Panel suggests, pursuant to Article 19.1 of the DSU, that one way in which the European Communities could implement the above recommendation with respect to the equivalence and reciprocity conditions, would be to amend the Regulation so as for those conditions not to apply to the procedures for registration of GIs located in other WTO Members which, it submitted to the Panel, is already the case. This suggestion is not intended to diminish the importance of the above recommendation with respect to any of the Panel's other conclusions.

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