

**ANNEX C**  
**ARGUMENTS OF THE THIRD PARTIES**

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1. This Annex reflects the arguments made by third parties. It has been prepared by the Panel based on the written submissions, oral statements and responses to questions received from the third parties.

A. ARGENTINA

**1. Introduction**

2. Argentina has a general systemic interest in the proper implementation and interpretation by WTO Members of the rights provided for in the TRIPS Agreement. However, as a major agro-exporter, Argentina also has a specific interest in the proper implementation of multilateral rules, to ensure that they are not implemented in such a way as to constitute or become obstacles to food trade. Firstly, Argentina wishes to make it quite clear that it does not object to the European Communities having, nor does it consider that the European Communities does not have, a legitimate right to develop or maintain a unified geographical indication registration and protection system in its territory. Neither does Argentina question the system chosen by the European Communities to establish such protection, given that the TRIPS Agreement itself authorizes Members to implement the Agreement within their own legal system and practice. Nonetheless, Argentina does agree with the complainants' comments on the importance of Members providing protection, in accordance with the TRIPS Agreement, for both trademarks and geographical indications, without either one being to the detriment of the other.

**2. The EC Regulation in the light of the TRIPS Agreement**

(a) The concept of a geographical indication

3. The definition given in Article 2 of the EC Regulation differs from that established in Article 22 of the TRIPS Agreement. Article 2(1) of the EC Regulation protects designations of origin and geographical indications of agricultural products and foodstuffs. Article 2(2) establishes two concepts for ensuring such protection, namely, "designations of origin" and "geographical indications". Argentina believes that there is a substantial difference between the definition laid down in Article 22 of the TRIPS Agreement and that established in Article 2.2(a) and (b) of the EC

Regulation, namely the requirement that production and/or processing and/or preparation take place in the defined geographical area. Additionally, the EC Regulation in turn includes in Article 2(3) a sub-classification pursuant to which "[c]ertain traditional geographical or non-geographical names designating an agricultural product or a foodstuff originating in a region or a specific place, which fulfil the conditions referred to in the second indent of paragraph 2(a) shall also be considered as designations of origin." In this regard, Argentina draws attention to the fact that, in the case of "traditional names", the EC Regulation affords the possibility of protection being granted to non-geographical names, in stark contrast to the practice of WTO Members and the spirit of the TRIPS Agreement. This tendency of the European Communities to provide for protection other than that envisaged by the TRIPS Agreement is reinforced by Article 2(4) of the EC Regulation, according to which, under certain circumstances, certain geographical designations shall be treated as designations of origin where the raw materials of the products concerned come from a geographical area larger than or different from the processing area.

4. Argentina points out that, under Article 2(2) of the EC Regulation, protection is extended by allowing a degree of independence in the concept of a geographical indication from a geographical area (Article 2(3)), and by including certain raw materials from a geographical area larger than or different from the processing area, subject to three restrictions (Article 2(4)). Argentina is of the opinion that this is inconsistent with Article 22 of the TRIPS Agreement.

(b) Coexistence of protection systems

5. One protection system may not prevail at the expense of or to the detriment of the other, given that this would create a conflict of predominance between Sections 2 (Trademarks) and 3 (Geographical indications), both of which are found in Part II of the TRIPS Agreement. However, the obligations set out in these two sections are not mutually exclusive: each category must be granted the degree of protection conferred by the provisions of the Agreement. In other words, Members must ensure that protection is afforded both to trademarks, under Article 16.1, and to geographical indications, under Article 22.2, without, in so doing, undermining in any way the protection granted under the other Article. By providing for the coexistence of a trademark with a geographical indication or designation of origin and making such coexistence conditional upon a given temporal relationship, the EC Regulation violates Article 16.1 of the TRIPS Agreement (which provides for the exclusive right to use a trademark, so the possibility of coexistence restricts the right of the owner of the trademark), Article 22.3 (which neither provides for coexistence, nor establishes a specific cut-off date, as is the case of the EC Regulation), and Article 24.4 (which provides for a critical time different from the cut-off date established in the Regulation).

6. Article 24.5, in addition to establishing a different cut-off date from that laid down in the Regulation, prejudices eligibility for and the validity of the registration of a trademark, and the right to use a trademark, on the basis that such a trademark is identical with, or similar to a geographical indication. Moreover, Article 24.5 does not provide for the possibility of restricting the right of a trademark owner, as is the case in the Regulation, which provides for coexistence. Strictly speaking, it is Article 24.5 which determines the confines of the alternatives available to WTO Members with regard to the application of measures related to the protection of geographical indications and their interrelation with trademarks.

(c) The registration procedure is inconsistent with the TRIPS Agreement

7. Argentina considers it important that particular reference be made to the registration procedure established in the Regulation in the light of the obligations laid down in the TRIPS Agreement. To this end, there follows an objective description of each of the various steps involved, together with comments on their inconsistency with the TRIPS Agreement, as deemed appropriate.

(i) *Application for registration / Compliance with specifications*

8. Article 4 of the Regulation provides that "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*". In this respect, the Regulation gives rise to great uncertainty, given that, while it sets forth a series of nine elements – Article 4.2(a), (b), (c), (d), (e), (f), (g), (h) and (i) – with which compliance is mandatory, it is precisely subparagraph (i) which allows for the possibility of other requirements being "*laid down by Community and/or national provisions*". Such uncertainty is related to the familiarity with or identification of the relevant Community and/or national provisions in order to comply with the registration requirement, and the means for complying with the requirement laid down in subparagraph (i), bearing in mind the above-mentioned difficulty in identifying pertinent legislation. Knowledge of Community and/or national legislation is obviously even more complicated for a foreign applicant.

9. Furthermore, by mentioning "Community and/or national provisions" without stating whether this refers to regulations specifically related to the protection of geographical indications, the said provision expands yet further the legislative universe with which a potential applicant must comply and could act as a market-access restriction on a product applying for effective protection by means of a PGI / PDO. That is to say that, while the requirements of subparagraphs (a) to (h) are binding upon applicants, this does not mean that the list of requirements is exhaustive, given that, by virtue of subparagraph (i), it can be extended by means of a series of conditions which can be provided for in Community and/or national legislation and compliance with which is also – in principle – mandatory. It should be recalled at this point that, pursuant to Article 12 of the Regulation, the third country shall be able to give guarantees identical or equivalent to those referred to in Article 4, extending it to the requirement laid down in Article 10.

10. Argentina also makes a further comment on requirements relating to Article 4(h), which refers to the inspection structure(s) provided for in Article 10. The question here is what the criteria for identifying these inspection structures would be in the case of a foreign applicant. It should be noted that, for a foreign applicant and with regard to this stage, Article 12 provides that "the third country concerned has inspection arrangements (...) equivalent to those laid down in this Regulation." This creates an obstacle which is altogether immune to any decision by a foreign natural or legal person to "accept" the Article 4 requirement, given that the decision to create the inspection bodies referred to in Article 10 is restricted to State level. Provision is not made for inspection structures in all third countries and, even supposing that they were provided for, such structures could fail to meet the equivalence requirement under Articles 10 and 12 of the Regulation.

(ii) *Application for registration at the national level (of a member State) / Transitional protection at the national level*

11. Pursuant to Article 5(4) of the Regulation, applications shall be sent to the member State in which the geographical area is located. The member State is then responsible for checking that the application is "justified" and, "if it considers that it satisfies the requirements of this Regulation", it forwards the application, including the product specification and other documents on which it has based its decision, to the Commission. That member State may then grant transitional protection at the national level. Such protection ceases when protection is granted at Community level. Furthermore, it is incumbent on the member State to consult another member State or a third country if the application concerns a name designating a border geographical area or a traditional name connected to that area, regardless of whether it is situated in another member State or in a third country.

*(iii) Role of the Commission / Examination of applications / Publication of applications/Objections*

12. At this stage, it falls to the Commission to conduct, within a period of six months, a formal investigation to verify whether the registration application includes all the particulars provided for in Article 4. The Commission shall inform the member State of its findings and publish the registration applications and their filing dates. The purpose of publication is to permit the notification of statements of objection. Three possibilities exist, (a) No statement of objections is notified and the name is entered in the Register of Protected Designations of Origin and Protected Geographical Indications, as published in the Official Journal of the European Communities; (b) there are objections to the registration – Article 7 – within six months of the date of publication in the Official Journal of the European Communities; and (c) the Commission concludes that the geographical indication does not qualify for protection and decides not to proceed with publication. The Commission may in all cases request the opinion of the Committee on Designations of Origin and Geographical Indications – Article 15 – prior to publication.

*(iv) Amendment of a specification*

13. Article 9 authorizes any member State to request the amendment of a specification to take account of developments in scientific and technical knowledge or to redefine the geographical area.

*(v) Failure to comply with specifications / Right of complaint / Intervention of the Commission / Cancellation of registration*

14. Any member State may submit that a condition laid down in the product specification has not been met – pursuant to Article 11 – by making its submission to the member State concerned. The member State concerned shall examine the complaint and inform the other member State of its findings and of any measures taken. The Commission will have to intervene in the event of repeated irregularities. If the member States concerned fail to come to an agreement and file a duly substantiated application, the Commission will examine the application by consulting the member States concerned and, where appropriate, having consulted the specific committee and considering it pertinent, will take the necessary steps, including cancellation of the registration. Article 11*bis* establishes the cases in which the registration may be cancelled.

15. To sum up, Argentina emphasizes the uncertainty with regard to: (a) the possible implementation of these provisions in the case of non-Community countries, and (b) their consistency with the characterization of intellectual property rights in the TRIPS Agreement, by requiring that States manage the registration of geographical indications instead of their legitimate owners, persons under private law (not to mention what appears yet more serious: the covert subordination, established by the Regulation, of governments of non-member states vis-à-vis EC institutions). Therefore, and contrary to the assertions of the European Communities, the EC Regulation does indeed make a distinction on the basis of nationality. Evidence for this are the provisions under Articles 5, 6, 7 and 10.

16. In short, the reciprocity and equivalence requirements laid down in Council Regulation (EEC) No. 2081/92 are inconsistent with the national treatment clause in Article 3 of the TRIPS Agreement.

*(d) Applicability of equivalence and reciprocity criteria to WTO Members*

17. Argentina observes the European Communities' attempt to reduce the entire issue raised by the complainants to a mere question of the interpretation of the relevant Community legislation. To this end, Argentina submits a brief interpretation to demonstrate that the Regulation provides for a method inconsistent with the European Communities' obligations in the WTO in the light of the

TRIPS Agreement. In Argentina's opinion, the explanation by the European Communities in its first written submission of the application of reciprocity and equivalence criteria is not convincing. Had the intention been to make a distinction not only between EC member States and non-Community countries but also, as the European Communities maintains, between WTO Members and third countries, the distinction could have been made more explicitly. However, even a simple amendment to that effect would not resolve the substantive issues previously raised regarding the application of this regulation to non-Community countries, given that the only registration and objection procedures provided for are through the intermediary of member States and that the requirements are laid down for the establishment of inspection structures which are not binding on any country other than EC member States. The requirements mentioned above clearly deviate from the national treatment obligation in Article 3 of the TRIPS Agreement.

### **3. Points raised in response to the Panel's questions**

18. Argentina is not aware of any group or person ever having filed with its authorities either an application for or an objection to a registration pursuant to the EC Regulation. As to the question whether Argentina would be willing or able to transmit such applications, without prejudice to its willingness to cooperate in any procedural aspect involving the transmission of an application for registration, on behalf of any domestic group or person, that eventually the Government of Argentina could hypothetically show at any point in time, Argentina would like the Panel to note that, as a non-EC member, it has never delegated any sovereign right to the supranational institutions of the European Union. Hence, there would be no legal obligation for the Argentine State to fulfil any requirement imposed by the EC legislation, even less in a case like the one in question, which involves a private right, as established in the preamble of the TRIPS Agreement. Argentina's legislation allows direct access by GI applicants to the national authority irrespective of nationality.

19. Argentina's domestic law establishes the exceptions to trademark rights provided for in Article 17 of the TRIPS Agreement, under the conditions and with the scope provided therein. Argentina is not aware of any GIs registered under the EC Regulation that are identical or confusingly similar to Community protected trademarks owned by nationals of Argentina. It notes, however, that this should not be interpreted as saying that this would never happen, as the EC Regulation provides for the possibility of broadening the applicability of the Regulation, by making products which are not currently included in the list of products covered by this Regulation, subject to it in the future.

20. Argentina believes that there is – in principle – no conflict between Articles 16.1 and 22.3 of TRIPS Agreement. However, given the broad discretion given by the TRIPS Agreement to the Members in implementing its provisions (Article 1.1 of the TRIPS Agreement), such a conflict could arise as a consequence of the way a Member chooses to implement it. In other words, there is no contradiction arising from the textual reading of either provision, but for those that could eventually arise during, or as a consequence of its implementation.

21. Argentina is of the view that the EC Regulation is challengeable under the TRIPS Agreement, due its mandatory nature.

### **B. BRAZIL**

#### **1. Introduction**

22. Brazil has a systemic interest in the matter subject to this dispute. Brazil has no geographical indications ("GIs") as yet registered in the EC under the procedure set out in the measure at issue, but private parties in the country have demonstrated increasing awareness of the implications stemming from the development of a culture fostering the registration of Brazilian GIs, both in Brazil and elsewhere.

## **2. Reciprocity and equivalence requirements in the registration of, and objection to, a GI**

23. Both Australia and the United States claim that Article 12(1) of the EC Regulation fails to comply with the national treatment obligation provided for by Article 3 of the TRIPS Agreement and Article III:4 of GATT 1994 since, in order to benefit from the Regulation, it requires that WTO Members meet certain conditions, such as reciprocity and equivalence. Brazil supports this understanding. In fact, the requirements set forth in Article 12(1) of the EC Regulation, despite assertions to the contrary by the European Communities, clearly establish "extra hurdles" for WTO Members. The several requirements spread throughout Article 12 create a bias against third countries and violate national treatment obligations. As a matter of fact, these inconsistent requirements pervade most of the Regulation and taint its practical operation to the detriment of other WTO Members. In a nutshell, and as abundantly argued by the complainants and other third parties, WTO Members, before they can apply for protection under Article 12(1), must adopt an internal system for GI protection that guarantees equivalence to the EC Regulation and that must also provide reciprocity to "corresponding" EC products. These requirements, if they do not amount to something close to "extra-territoriality", certainly collide with the essence of the national treatment obligations enshrined in Article III of GATT 1994 and Article 3.1 of the TRIPS Agreement.

24. As graphically shown by New Zealand in the exhibits to its submission, nationals from WTO Members are at a disadvantage with regard to EC nationals. 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. The European Communities in its first submission argues that the proviso in Article 12(1) – "without prejudice to international agreements" – excludes WTO Members from the scope and requirements of Article 12. Brazil welcomes this novel and official interpretation by the European Communities to the effect that "international agreements" include the WTO agreements and that consequentially Articles 12(1) and 12(3) of the Regulation do not apply to WTO Members. Irrespective, however, of this interpretation by the Commission, which would not necessarily withstand scrutiny by a judicial body, it would seem unlikely that provisions in the EC Regulation that refer to "third countries" would have been drafted only with a handful of non-WTO Members in mind. Furthermore, the utilization of the terms "third countries" and "Community" in Article 12(2) suggests that, in this opposition, "third countries" mean all those countries which are not EC member States. If, on any account, one were to accept the EC's arguments about the proviso, i.e. that it excludes WTO Members, it could, *a contrario sensu*, indicate a recognition by the European Communities that the reciprocity and equivalence requirements in Article 12 violate national treatment obligations in the GATT 1994 and TRIPS Agreement. Brazil takes note, however, of the use in the Regulation of the terms "WTO members" and "third countries" in Articles 12b(2)(a) and (b) and 12d(1), something that could indicate that third countries are confined to those non-WTO Members. Therefore, Brazil is of the view that the language of Article 12(1) should clearly specify that WTO Members are exempt from offering reciprocity and equivalence in order to be in compliance with the national treatment obligation.

25. As regards the issue of objection procedures to registration of GIs, Brazil is equally concerned with the fact that the procedures, set forth in Article 12d(1), can be subject to the same inconsistent requirements of reciprocity and equivalence applicable to the registration procedure as explained above.

## **3. Aspects of the registration and objection procedures for GIs**

26. Brazil also calls the attention of the Panel to two specific procedural aspects of both the registration and the objection procedures as stated in Articles 12a(1) and (2) and 12d(1), which appear to be inconsistent with the agreed multilateral rules.

27. These provisions require that WTO Members "pre-approve" the application for registration of geographical areas located in their territories before they forward it to the European Commission. WTO Member national authorities must first analyse and deem that the requirements of the EC Regulation are satisfied. Brazil opines that, if this requirement applies to WTO Members, it is in striking violation of the national treatment obligation under Article 3 of the TRIPS Agreement and Article III:4 of GATT 1994. The inconsistencies appear to be twofold: first, that an additional national procedure is introduced, whereas in the EC, the application sent to an EC member State by an EC applicant is tantamount to a mere formality (Article 5(5) of the Regulation); second, and most disturbing, the analysis by the national authority in the WTO Member must be undertaken according to the EC Regulation, and not to its own domestic rules – Article 12a(2) of the Regulation. In this situation, assuming that the State concerned will likely have its own standards to assess the adequacy of the application *vis-à-vis* the EC Regulation, it is only fair to assume that more often than not, the Commission, in its turn, will not deem appropriate the evaluation carried out by the WTO Member, which could then lead to further procedural delays. Thus, a more balanced treatment of the issue would be to grant applicants from WTO Members direct access to the Commission for registration purposes. This direct access by the applicant to the national authority, irrespective of nationality, is provided, for example, by the Brazilian legislation. In sum, even if in formal terms the treatment given to applications from EC member States and WTO Members is similar, the effects that are produced by such procedure are clearly different and detrimental to interested parties located in the latter.

28. Article 12d(1) of Regulation 2081/92 requires that, whenever a natural or legal person from a WTO Member wishes to object to the registration of a geographical indication submitted by an EC member State, it should do so by sending a duly substantiated statement to the country in which it resides. Brazil is of the opinion that this requirement establishes an "unnecessarily complicated or costly" procedure concerning the enforcement of intellectual property rights, in breach of Article 41.2 of the TRIPS Agreement. Brazil sees no "necessity" that would justify preventing private parties from addressing their objections directly to the European Commission. Many countries, like Brazil, have domestic legislations that allow for direct access by foreigners in order to object to registration procedures. The EC has not provided convincing reasons to deny interested parties direct access to the EC bodies. If, according to its Article 12d(2), the Regulation already determines that the "Commission shall examine the admissibility of objections", Brazil fails to see the need for requiring prior submission of the objection to the WTO Member in which the objector resides or is established.

#### **4. Remarks on the coexistence of trademarks and GIs**

29. While Brazil recognizes that both trademarks and GIs are "signs" that represent products or services, one cannot overlook the fact that geographical indications that are identical to trademarks are likely to create confusion and, consequently, may affect the value of trademarks. Brazil recalls that Article 16.1 of the TRIPS Agreement protects the owner of a registered trademark from the use by third parties of identical or similar signs for goods or services identical or similar to those in respect of which the trademark is registered, where such use would result in a likelihood of confusion. Therefore, what seems clear is that the protection the TRIPS Agreement mandates countries to offer to owners of trademark comprehends the use of any sign (and not only that of a trademark) that might cause confusion. In Brazil's view, 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 establishes that a geographical indication shall not be registered where, "in the light of a trademark's reputation and renown and the length of time it has been used, registration is liable to mislead the consumer as to the true identity of the product".

30. Despite a theoretical hypothesis of coexistence between a trademark and a geographical indication in terms of Articles 24.5 and 16.1 of the TRIPS Agreement, when read in conjunction, Brazil believes that without disregarding the peculiar features surrounding the use of a geographical

indication and the need to protect it, one must not do so at the expense of both the trademark owners and the consumers. Otherwise, the commercial value of a trademark may be undermined, which runs contrary to the "exclusive rights" of a trademark owner provided for in Article 16.1 of the TRIPS Agreement. It should also be noted that pursuant to Article 16.1, in cases of the use of an identical sign for identical goods or services, "a likelihood of confusion shall be presumed". Regulation 2081/92 does not have any provision incorporating such a presumption. Brazil does not agree with the EC's argument that there was no need to "reproduce explicitly" this presumption, on the grounds that it would suffice that domestic law grants the registering authority or to the courts the adequate level of discretion to apply this provision. Brazil submits that even if domestic law incorporated the presumption in each EC member State, this would not mean automatically that Community-level registration, regulated by Regulation 2081/92, would have also provided for its incorporation. Therefore, the European measure would still remain inconsistent with the TRIPS Agreement.

31. Brazil also highlights another possible imbalance between the protection of EC nationals and WTO Member nationals as regards the effective use of the protection mechanism of Article 22.3 of the TRIPS Agreement in that, through the use of the EC Regulation, the EC national would much more rapidly and efficiently protect a GI to the detriment of a previous registered trademark, than would a WTO Member national be in a position to defend trademark owner rights *vis-à-vis* the application for registration of a new GI.

## **5. Points raised in response to the Panel's questions**

32. Brazil is not aware of any group or person ever having filed with its authorities either an application for, or an objection to, a registration pursuant to the EC Regulation. As to the question whether Brazil would be willing or able to transmit such applications, it states that, the issue here is not simply a matter of mechanistic, bureaucratic "transmittal" of applications. Article 12a(2) of the EC Regulation requires from authorities of third countries a thorough analysis of the applications in light of that Regulation before transmitting them to the Commission. Brazil also recalls that there is no legal provision in Brazilian law establishing the need for Government intervention in the registration of GIs in foreign countries. Moreover, the Brazilian authorities would be devoid of legal competence to perform the analysis of the application as required by the EC Regulation, especially in light of the principle of legality, enshrined in Article 37 of the Brazilian Constitution.

33. Brazil calls the Panel's attention to the existence of the Patent Cooperation Treaty ("PCT"). This Agreement imposes that requests for international search and preliminary examination of private parties' patent applications be transmitted to the Office of the PCT by national governments. The European Communities, through Regulation 2081/92 – rather than through an internationally agreed mechanism – seeks to impose unilaterally its own rules and parameters on all other countries, something which would amount to extra-territoriality. Harmonization of rules or standards on intellectual property rights can only be obtained through multilateral or bilateral cooperation agreements. The European Communities' stance, if taken *ad absurdum*, could allow a situation where other countries would also issue their own strict legislation and procedures and would request that all other countries analyse applications for registration in accordance with those unilaterally-fixed rules.

34. Brazil understands that the interpretation of "nationals" as used in Articles 1.3 (including its footnote 1), 3.1 and 4 of the TRIPS Agreement and Article 2 of the Paris Convention, depends on how a national legal system defines the "nationality" of a legal person. Due to particular features pertaining to geographical indications – which are necessarily bound to a given territorial basis – it is reasonable to assume that the legal person holding the right over their use, will be a group or association established in the territory of the Member in which the GI is located, without prejudice to the provision of Article 2(2) of the Paris Convention. This is tantamount to saying that the geographical area from which a geographical indication originates determines the nationality of the interested parties seeking to register it and that the parties applying for registration of non-EC GIs will



most likely be legal persons that are "nationals" of non-EC countries. The European Communities concedes that Regulation 2081/92 provides for different treatment regarding "geographical areas".<sup>1</sup> Thus, in most cases, discriminating between geographical areas is equivalent to discriminating between nationals. In other words, the area in which a geographical indication is located is actually linked to the nationality of the applicant.

35. Brazil agrees that the words "country of the Union" in Article 2(1) of the Paris Convention (1967), as incorporated in the TRIPS Agreement by its Article 2.1, should be read *mutatis mutandis* to refer to "WTO Member". This reasoning is in accordance with the understanding of the Appellate Body in *US – Section 211 Appropriations Act*.<sup>2</sup>

36. Brazil's views on the relationship between the national treatment obligation under the TRIPS Agreement and GATT 1994 are threefold. First, Brazil notes that on a theoretical level not all "different treatment" amounts to "less favourable treatment". Second, Brazil understands that a less-favourable-treatment-situation in violation to national treatment obligation arises where a measure "modifie[s] the conditions of competition in the market to the detriment of imported products", which appears to be the case with reference to the EC Regulation at issue. Third, as the Appellate Body stated in *US – Section 211 Appropriations Act*, "[t]he Panel was correct in concluding that, as the language of Article 3.1 of the TRIPS Agreement, in particular, is similar to that of Article III:4 of the GATT 1994, the jurisprudence on Article III:4 of the GATT 1994 may be useful in interpreting the national treatment obligation in the TRIPS Agreement".<sup>3</sup>

37. Brazil is not aware of any GIs registered under the EC Regulation that are identical or confusingly similar to Community protected trademarks owned by Brazilian nationals.

38. Brazil recalls that previous WTO panels and Appellate Body reports have considered that there is a presumption against conflict in public international law, and it quotes two panel reports in this regard.<sup>4</sup> If it can be assumed that there is a presumption against conflicts between international legal instruments, one can also reasonably expect that the same presumption applies to apparent conflicts within the same agreement. Therefore, in addressing the issue of the conflict between Articles 16.1 and 22.3 of the TRIPS Agreement, Brazil submits that Article 22.3 imposes two tests in order to allow a trademark registration to be refused or invalidated. In turn, Article 16.1 grants the trademark owner the exclusive right to prevent third parties from using 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. The protection of the distinctiveness of the trademark is thus contingent upon the likelihood of confusion brought about by signs which are identical or similar. One should consider that, without disregarding the peculiar features surrounding the use of a geographical indication and the need to protect it, this must not be done at the expense of both the trademark owners and the consumers. In other words, it means that the approach to the issue should be carried out taking due account of the fact that: a) geographical indications do not *a priori* prevail over registered trademarks; and b) other factors must be borne in mind when deciding whether to allow either the coexistence between trademarks and geographical indications or the predominance of one over the other, such as, for instance, the length of time a given trademark has been used.

39. Brazil's Industrial Property Law (Article 132) sets out exceptions to the exclusive right of a trademark owner. Accordingly, a trademark owner cannot: (a) prohibit retailers or distributors from

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<sup>1</sup> European Communities' first written submission, para. 125.

<sup>2</sup> Appellate Body Report on *US – Section 211 Appropriations Act*, para. 238.

<sup>3</sup> *Ibid.*, para. 242.

<sup>4</sup> Panel Report on *Indonesia – Autos*, para. 14.28 and fn. 649; and Panel Report on *Turkey – Textiles*, para. 9.92.

utilizing distinctive signs pertaining to their businesses along with a product trademark for marketing purposes; (b) prohibit parts manufacturers from utilizing a trademark in order to indicate the product destination, provided fair competition practices are met; and (c) prohibit the mentioning of a trademark in a speech, scientific or literary work or in whatever sort of publication, as long as deprived of commercial meaning and without prejudice to its distinctive character.

40. Brazil notes that in *US – Section 211 Appropriations Act*, a dispute dealing with the interpretation of several TRIPS provisions, the Appellate Body confirmed the Panel's view in *US – 1916 Act* and stated that "a distinction should be made between legislation that mandates WTO-inconsistent behaviour, and legislation that gives rise to executive authority that can be exercised with discretion".<sup>5</sup> On the other hand, the Appellate Body in *US – Corrosion-Resistant Steel Sunset Review*, did not express a view on whether the mandatory/discretionary distinction is a legally appropriate analytical tool for panels to use. It observed that "as with any such analytical tool, the import of the mandatory/discretionary distinction may vary from case to case. For this reason, we also wish to caution against the application of this distinction in a mechanistic fashion".<sup>6</sup> Thus, while the distinction can certainly be applied under the TRIPS Agreement, as a jurisprudential construction, it must be used with caution (*cum granum salis*). Brazil also remarks that the mandatory/discretionary distinction is always centred on a specific measure taken by a Member. As to the issue of "omissions" or "failures" to take certain required actions, Brazil is of the opinion, firstly, that an omission can also be considered a violation of a provision and, secondly, that, by definition, the "mandatory/discretionary" distinction cannot be applicable to instances of failure to take action, i.e. an omission, for there would be no concrete legislation issued by a Member upon which the distinction could focus.

## C. CANADA

### 1. Introduction

41. Canada has a systemic interest in the interpretation of the national treatment obligations of WTO Members under the TRIPS Agreement, specifically as these apply to the implementation of intellectual property rights for the protection of geographical indications.

42. Canada focuses its views mainly on two issues related to national treatment obligations under the TRIPS Agreement as they are interpreted and applied in the present case. These are:

- the degree to which Articles 2.1 and 3.1 of the TRIPS Agreement prevent a WTO Member from requiring *reciprocity and equivalence* when protecting the intellectual property rights of nationals of other WTO Members, including whether or not such reciprocity and equivalence is in fact required by the EC Regulation; and
- the implications of the reference to *nationals* in Articles 2.1 and 3.1 of the TRIPS Agreement, in particular the degree to which such references permit WTO Members to discriminate in a manner not directly based on *nationality* when protecting intellectual property rights.

### 2. Reciprocity and equivalence requirements of the EC Regulation

43. The national treatment obligations under the TRIPS Agreement prevent the European Communities from requiring reciprocal and equivalent protection in non-EC WTO Members as a condition for protection in the European Communities of geographical indications originating in the

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<sup>5</sup> Appellate Body Report on *US – Section 211 Appropriations Act*, para. 259.

<sup>6</sup> Appellate Body Report on *US – Corrosion-Resistant Steel Sunset Review*, para. 93.

territory of those WTO Members. The national treatment obligations of WTO Members with regard to the protection of intellectual property are contained in two separate provisions of the TRIPS Agreement. First, the earlier national treatment obligations of the Paris Convention are incorporated by reference into Article 2.1 of the TRIPS Agreement. Second, national treatment applies in the TRIPS Agreement more broadly by virtue of the requirement in Article 3.1 that a WTO Member "accord to the nationals of other Members treatment no less favourable than it accords to its own nationals with regard to the protection of intellectual property". These obligations mean that any intellectual property right provided by a WTO Member within its territory must be made available to nationals of all other WTO Members, without regard to the conditions of substantive protection available in those WTO Members. Requiring reciprocal and equivalent treatment – that is, conditioning the protection of rights of foreign nationals in the domestic jurisdiction on equivalent protection being afforded to domestic nationals in the foreign jurisdiction – runs precisely counter to national treatment obligations.

44. All parties to the present case substantially agree on the fundamental importance of the national treatment obligations under the TRIPS Agreement. The main issues of contention are: (i) whether the EC Regulation treats geographical indications originating outside the European Communities less favourably than geographical indications originating within the European Communities; (ii) and whether this less favourable treatment applies also to geographical indications originating in the territory of other WTO Members.

45. The European Communities submits that a significant feature of the EC Regulation is the provision of separate procedures for the registration, and objection to registration, of geographical indications originating from an area *within* the European Communities (in Articles 5, 6 and 7) and the parallel procedures set out for the registration, and objection to registration, of geographical indications originating from areas *outside* the European Communities (in Articles 12, 12a, 12b, 12c and 12d). While the two separate procedures in the EC Regulation do exhibit certain similarities, a significant difference is that Article 12 provides that the EC Regulation "may" apply to geographical indications originating from the territory of a third country but only if that third country meets certain conditions. One of these conditions is the requirement in Article 12(1) that "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." Article 12(3) further requires the European Commission to examine the national legislation of the third country to certify that it satisfies the "equivalence conditions" specified in Article 12(1).

46. In other words, applicants for intellectual property protection in the European Communities of geographical indications originating in third countries that do not meet the conditions in Article 12(1) are automatically disqualified from eligibility for such protection simply on the basis of the absence of equivalent protection in their home jurisdiction. This requirement imposes a condition on applicants for geographical indications originating outside the European Communities that does not exist for applicants for geographical indications originating within the European Communities. The EC Regulation therefore accords less favourable treatment to geographical indications from outside European Communities than it accords to geographical indications from within the European Communities. The European Communities in fact admits that Article 12 of the EC Regulation requires reciprocity and equivalence for registration for protection in the European Communities of geographical indications originating from outside the European Communities (see, e.g., recital 9 of EC Regulation No. 692/2003, which says that "[t]he 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"). If these *de jure* discriminatory provisions were to apply to WTO Members, they would violate the European Communities' national treatment obligations under the TRIPS Agreement.

47. The European Communities contends in its first written submission that the reciprocity and equivalence requirements contained in Articles 12(1) and (3) simply do not apply to WTO Members since these countries already must provide adequate protection for geographical indications by virtue of their obligations under the TRIPS Agreement. To justify this interpretation of Article 12, the European Communities points to the reference in Article 12(1) to "[w]ithout prejudice to international agreements", arguing that this clause preserves the rights of WTO Members to access the EC registration system on a national treatment basis. Heartening as this contention is in principle, when read in the context of Articles 12a, 12b and 12d, Article 12 cannot support the interpretation advanced by the European Communities. The ambiguous reference to "international agreements" in Article 12 is simply insufficient to counter the clear wording of Articles 12, 12a, 12b, and 12d, which, when taken together suggest an interpretation opposite to that offered by the European Communities.

48. First, if the European Communities' interpretation of Article 12(1) and (3) were to be accepted, there would not appear to be an alternative legal basis for an applicant with a geographical indication originating from the territory of a non-EC WTO Member to commence an application for registration in the European Communities. The EC Regulation is drafted in such a way that the only starting point for third countries, WTO Members as well as non-Members, is Article 12 (additionally to Canada it remains unclear why the European Communities argues that these sub-articles operate in this manner whereas Article 12(2) does not). The European Communities response is that the relevant starting point for WTO Members is Article 12a, suggesting that these countries pass immediately to the procedures provided for in that article for registration of geographical indications from third countries. While Article 12a is the operative paragraph governing the *transmission* of an application to the European Communities, this provision does not appear to operate in the manner suggested by the European Communities. Article 12a(1) of the EC Regulation provides that "*[i]n the case provided for in Article 12(3) ... a group or a natural or legal person ... shall send a registration application to the authorities in the country in which the geographical area is located*" [emphasis added]. The underlined portion of that provision suggests that this procedure is only available in the case of those third countries that have already qualified according to the procedure laid out in Article 12(3), which requires meeting the conditions specified in Article 12(1). Even Article 12a(2), which governs the actual transmission of the applications from the third country to the European Communities, depends on the country first being identified by the procedure in 12a(1). Therefore, Article 12a does not provide an independent basis for a geographical indication originating from a non-EC WTO Member to be registered in the European Communities.

49. Second, the European Communities refers to distinctions made in Articles 12b(2)(a) and (b) (objections to registrations of geographical indications originating from areas outside the European Communities) and 12d(1) (objections to registrations of geographical indications originating within the EC). Those provisions distinguish between a "WTO Member" on the one hand and, respectively, "a third country meeting the equivalence conditions of Article 12(3)" and "a third country recognized under the procedure provided for in Article 12(3)". The European Communities' argument seems to be that the distinction in these latter provisions implies the existence of a distinction between WTO Members and third countries for the purposes of Article 12(1) and (3). However, the European Communities' own argument on a separate but related point supports precisely the opposite conclusion. Specifically, with respect to Article 12d(1) the European Communities argues that the reference to 12(3) only applies to "third countries other than WTO Members". The European Communities continues: "[O]therwise, the specific reference to WTO members [in 12d(1)] would be meaningless." Using the European Communities' own logic, if the *presence* of the reference to "WTO Members" in the context of Article 12b and 12d *meaningfully* suggests differential application of those provisions between WTO Members and other third countries, then the *absence* of a reference to "WTO Members" in the context of Article 12 and 12a must *meaningfully* suggest no differential application of those provisions between WTO Members and other third countries.

50. Thus, notwithstanding the contrary interpretation offered by the European Communities, the clear wording of Article 12 and 12a means that those provisions apply equally to WTO Members and other third countries. The only way for "a group or a natural or legal person" from a WTO Member to apply for registration for a non EC-based geographical indication is for the WTO Member from which the indication originates to qualify according to the "equivalence conditions" of Article 12(1) and 12(3). Moreover, in the September 2002 meeting of the Council for TRIPS, the European Communities provided its views on the application of national treatment in the context of registration systems for geographical indications saying that "[t]he EC believes that registration systems should be primarily aimed at the identification of domestic GIs".<sup>7</sup> Later in the same intervention, the European Communities continued: "[I]t seems to us that the logical conclusion is to *limit the registration system to domestic GIs* and protect foreign GIs via other means". In light of these statements, there is no doubt about the European Communities' intention that Article 12 applies to WTO Members.

### **3. National treatment of "nationals" of WTO Members under the TRIPS Agreement**

51. The reference to *nationals* in the TRIPS Agreement cannot be interpreted so narrowly as to render that term meaningless when it comes to national treatment with regard to the protection of intellectual property rights. This is most importantly the case in the context of the protection of geographical indications, which are tied more closely to the territories from which they originate than to the nationality of the rights holders. The European Communities acknowledges the important, and deliberate, emphasis in the TRIPS Agreement on *nationals*, as opposed to the focus on *products* under the GATT. Since minimum standards for intellectual property protection is about conferring rights, it necessarily follows that *natural and legal persons* are the holders of these rights, and that as a result WTO non-discrimination obligations generally apply as between the *nationals* who hold these rights. However, having acknowledged these important features of the TRIPS Agreement, the European Communities fails to fully appreciate their implications.

52. Specifically, the European Communities submits that even if the two parallel procedures in the EC Regulation operate differently (which the European Communities does not admit), the separate procedures do not distinguish between *nationals*, but simply distinguish between *geographical areas*, that is, geographic indications originating from areas within the European Communities, as opposed to geographic indications originating from areas outside the European Communities. The European Communities claims that "[w]hether the area to which a geographic indication is related is located inside the European Communities or outside is in no way linked to the question of the nationality of the producers or the product concerned". This statement misinterprets the nature of intellectual property rights generally and the nature of protection of geographical indications specifically. The European Communities ignores the full meaning of Article 3.1 of the TRIPS Agreement, in particular by downplaying the *de facto* effect on nationals of a measure that the European Communities itself admits discriminates on the basis of national territories. The European Communities further underestimates the degree to which Article 3.1 applies to more than just the nationality of a national from a WTO Member, but also to the full availability and scope of the rights sought.

### **4. De Facto discrimination according to nationality**

53. The European Communities claims that Articles 5 and 6 operate without distinction as between nationals when it comes to geographical indications originating from within the European Communities, and that Articles 12 and 12a operate in a similarly non-discriminatory fashion when it comes to geographical indications originating from outside the European Communities. This claim ignores the simple and incontestable reality that EC nationals are likely to register for protection of geographical indications originating from within the European Communities, whereas non-EC

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<sup>7</sup> See the minutes of that meeting in document IP/C/M/37/Add.1, at p. 80.

nationals are likely to register for protection of geographical indications originating from outside of the European Communities. The distinction between geographical areas is illusory if the effect of the EC Regulation is to *de facto* prevent nationals from non-EC WTO Members from registering for protection of the geographical indications from their own territories.

54. As the United States has argued, the principles developed in the context of national treatment with respect to goods are instructive. In particular, in assessing whether the EC Regulation *de facto* affords more favourable treatment to EC nationals than it does to non-EC nationals, this Panel needs to look beyond the literal provisions of the EC Regulation, and examine objectively the structure and overall application of the Regulation, including the underlying criteria used to allow registration of a geographical indication.<sup>8</sup> The structure of the EC Regulation clearly provides two different procedures for the registration of geographical indications. The sole criterion used in determining which procedure an application for registration shall follow is *geographical area*, with the only difference being whether or not the geographical area is within the boundaries of the European Communities. This choice of the boundaries of the European Communities as the only criterion raises significant concerns about the neutrality of the provisions as to the nationality of the applicants. This is particularly the case for geographical indications that, by definition, are tied to the production of goods originating in the area identified by the geographical indication and, by extension, producers in that area. Given this explicit requirement that physical production of the associated good take place in the same area as indicated by the geographical indication, an applicant for a geographical indication that refers to an area within the European Communities will, in all probability, be a national of an EC member State. Conversely, an applicant for a geographical indication referring to an area in a third country will, in all probability, be a national of that third country. As a result, despite the apparently neutral application of the EC Regulation regarding nationality, it is clear that the procedure set aside for geographical indications originating within the European Communities (Articles 5 and 6) *de facto* serves EC nationals, whereas the procedure set aside for geographical indications originating outside the European Communities (Article 12 and 12a) *de facto* serves nationals of third countries, including nationals of other WTO Members.

55. The European Communities claims that caution must be exercised in finding that the EC Regulation provides *de facto* less favourable support to non-EC nationals, citing the Panel report in *Indonesia – Autos*.<sup>9</sup> The Panel in that case failed to find discrimination between nationals on the grounds that the Indonesian National Car Programme (which forced applicants to the programme to choose between the mark of the local programme and their global marks) applied equally to Indonesians and foreigners. The Panel found no discrimination between nationals on the basis that both nationals and non-nationals faced the same choice.<sup>10</sup> That is not the case here. The EC Regulation does not require all applicants to choose between registering a foreign geographical indication (or global mark) and an EC-based geographical indication. Rather, the EC Regulation requires all applicants to choose between registering an EC-based geographical indication and not registering a geographical indication at all. Applicants of non-EC nationality are, by definition, not likely to be registering an EC-based geographical indication.

56. The European Communities further cites with favour the finding of that same Panel regarding the application of TRIPS Agreement national treatment obligations to matters not directly related to equal treatment of *nationals*. The Panel found that it would be unreasonable to use the national treatment obligations in relation to intellectual property rights to challenge domestic support measures not involving intellectual property rights, on the grounds that such measures could have the *de facto* effect of giving an advantage to domestic nationals.<sup>11</sup> Once again, that is not the case here. Invoking

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<sup>8</sup> Appellate Body Report on *Japan – Alcoholic Beverages II*, DSR 1996:I, at 120.

<sup>9</sup> Panel Report on *Indonesia – Autos*, paras. 14.271 and 14.273.

<sup>10</sup> Panel Report on *Indonesia – Autos*, para. 14.271.

<sup>11</sup> Panel Report on *Indonesia – Autos*, para. 14.273.

national treatment concerns against an EC system that *de facto* favours EC nationals, as does the EC Regulation, is not about challenging a non-intellectual property support measure to enforce equal treatment of nationals with regard to intellectual property rights. On the contrary, it is precisely about challenging the operation of an intellectual property measure in order to enforce equal treatment of nationals with regard to that *same* intellectual property measure. The findings of the Panel in *Indonesia – Autos* have no bearing on this case.

## 5. *De jure* discrimination according on nationality

57. The EC Regulation *de facto* discriminates between EC nationals and non-EC nationals in a manner that violates the national treatment obligations contained in Articles 2.1 and 3.1 of the TRIPS Agreement.

58. Canada submits that the EC Regulation discriminates between nationals of WTO Members as a matter of legal construction. Consider further the example of an inventor seeking patent protection for her invention. In all but the rarest of cases, an invention is also independent of the location of production and the location of eventual patent protection. Further, an inventor could be a natural person with nationality in her country of origin, or an inventor could be a legal person whose nationality, so to speak, will be in the country in which it has such legal personality. In either case, when patent protection is sought in Europe, the nationality of the inventor is usually retained. It is therefore equally important that European patent law not deny the inventor a patent over the invention because of nationality, and of course it cannot.

59. Contrast those two scenarios with the case of an applicant for protection of a geographical indication. First, unlike copyrighted works or patented inventions, which are independent of the location of their creation, geographical indications are by definition tied to the particular location that they represent. Second, determining the nationality of the rights holder of a geographical indication is a different matter than it is for the creator of a copyrighted work or a patented invention. In the specific case of the EC Regulation, the rights holder will only in exceptional cases be a natural person or even an individual producer. Rather, the rights holder will generally be a group or association of local producers, established for the purpose of marketing their similar products, and it is these groups that subsequently authorize individual producers to use the geographical indication. Since these groups are the "interested parties" referred to in provisions on geographical indications in the TRIPS Agreement, it is the nationality of these groups that is relevant for the purposes of national treatment, and not the nationality of individual producers. The nationality of these groups or associations will invariably be in the jurisdiction in which they operate.

60. Combining these two features of geographical indications – a group of local producers (by design) registering a local indication (by definition) – virtually guarantees that the *nationality* of the rights holder will be in the country from which the geographical indication originates. In other words, the geographical area from which a geographical indication originates *determines* the nationality of the interested parties seeking to register it. For example, if a Canadian farmer establishes operations in Belgium to produce a product to be marketed with a geographical indication from Belgium, that farmer's nationality will not alter the Belgian nationality of the local group that is the registered rights holder of the geographical indication. As a result, despite the apparently neutral application of the EC Regulation regarding nationality, it is clear that the procedures set aside for geographical indications originating within the European Communities *de jure* serve EC nationals, whereas the procedures set aside for geographical indications originating outside the European Communities *de jure* serve nationals of third countries. Therefore, by discriminating according to geographical area, the parallel procedures in the EC Regulation not only discriminate between nationals of WTO Members as a matter of simple probabilities, they discriminate between nationals of WTO Members as a matter of legal construction.

61. This problem is best illustrated with reference to other branches of intellectual property rights. Consider, for example, an author claiming protection under copyright for a work such as a book. The book can be written anywhere in the world, so the act of creation is independent of the location of production and the location of eventual copyright protection. Further, the author is likely to be a natural person with citizenship in his country of origin, and if he seeks protection in Europe for the book, he is likely to retain his nationality. It is important then that European copyright law not deny him copyright in the book because of his nationality, and of course it cannot.

## **6. National treatment applies to geographical area**

62. While the prohibition on discrimination between *nationals* in the TRIPS Agreement is fundamentally different from the prohibition on discrimination between *products* that is central to national treatment under the GATT, it is possible, as the European Communities has done in its submission, to make too much of that distinction. The reference to nationals in the TRIPS Agreement cannot be divorced from its context in a trade agreement under the WTO. It cannot, for example, be reduced to a source of a general right to be free from discrimination on the basis of nationality (in the sense of citizenship) in the laws and practices of domestic institutions. The European Communities appears to be suggesting that as long as *nationality* is not specifically cited by a WTO Member as the reason for refusing the registration of an intellectual property right, that WTO Member would not be in violation of its national treatment obligations. If Article 3.1 of the TRIPS Agreement referred only to nationality, the European Communities argument might have some merit. However, the TRIPS Agreement provides national treatment to *nationals* "with regard to the protection of intellectual property" and not simply their nationality. "Protection" is further defined in footnote 3 to 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" [emphasis added]. The European Communities notes that non-EC nationals are eligible to *acquire*, without discrimination, intellectual property rights under Articles 5 and 6 of the EC Regulation, as long as the geographical indication for which protection is sought originates within the European Communities. However, the protection of intellectual property rights in geographical indications involves more than just *acquisition*; it also involves, *inter alia*, the *availability* and *scope* of those rights. The full scope of the requirement to provide national treatment to *nationals* of all WTO Members is not restricted to the *nationality* of the party seeking registration, but extends to all facets of the protection of rights. By the European Communities' own admission, Articles 5 and 6 of the EC Regulation limit the *availability* and *scope* of protection available to a non-EC national to rights in geographical indications originating in a narrowly defined geographical area (i.e. within the European Communities). To avail themselves of the full scope of rights over geographical indications, non-EC nationals must turn to Articles 12 and 12a, an avenue that is closed off for nationals of all but a few WTO Members. The requirement to provide national treatment under the TRIPS Agreement to nationals therefore extends beyond the mere nationality of the applicant, and applies to the availability and scope of the rights for which registration is sought. By providing more favourable treatment to geographical indications from a narrow geographical area, the EC Regulation violates Articles 2.1 and 3.1 of the TRIPS Agreement.

63. Canada requests this Panel to find that EC Regulation 2081/92 violates the European Communities' national treatment obligations contained in Articles 2.1 and 3.1 of the TRIPS Agreement. In particular this Panel should find that the EC Regulation *de jure* accords less favourable treatment to geographical indications originating from outside the European Communities than it does to those originating within the territory of the European Communities, and further that, contrary to the European Communities' interpretation of its own Regulation, this less favourable treatment applies to WTO Members. This Panel should further find that the European Communities may not rely on an artificial distinction between nationality and geographical area to mask what is otherwise *de facto* less favourable treatment in the EC Regulation of non-EC nationals than EC nationals, both with regard to the fact that geographical indications originating from outside the



European Communities are sought by non-EC nationals and vice versa, and with regard to the fact that the scope of protection against discrimination in the case of geographical indications extends to include geographical area.

## **7. The relationship between WTO Members, the EC, EC member States and nationals**

64. The EC Regulation, and the European Communities' first written submission in defence of that regulation, confuse the respective rights and responsibilities of these various actors, and as a result improperly imposes burdens on nationals of WTO Members in the name of equal treatment. The TRIPS Agreement requires WTO Members to implement in their domestic laws minimum standards concerning the protection of what are ultimately private rights. WTO Members are also required to ensure that these domestic private rights regimes – whether based on the minimum standards or reflecting more extensive protection – are equally accessible to nationals from other WTO Members. These requirements establish a direct relationship between WTO Members and foreign nationals, a relationship that is independent of any involvement of the government of the foreign nationals. The European Communities disregards this point completely when it claims that it "finds it remarkable that the United States would 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>12</sup> In fact, the United States would be entirely justified in invoking any unwillingness to cooperate in the registration process, because the United States is under no obligation to facilitate the acquisition of private rights by its nationals in the European Communities. That obligation falls exclusively on the European Communities. The European Communities cannot then require another WTO Member to assist it in fulfilling its obligation to protect the rights of foreign nationals, regardless of whether or not that assistance would be "burdensome".

65. The European Communities then takes the confusion a step farther by drawing EC member States into the equation. It is not Canada's place to interpret the internal EC rules governing the division of competence between the European Communities and its member States when it comes to the implementation of the TRIPS Agreement – and Canada will not do so here. Instead, Canada relies on the European Communities' own statements that: (i) it has adopted the EC Regulation on the basis of its own competence; (ii) the European Communities is an original Member of the WTO; (iii) it is irrelevant that the EC member States are also Members of the WTO; and (iv) the subject matter of the present dispute falls within the exclusive competence of the European Communities.<sup>13</sup> On the basis of these explanations provided by the European Communities, Canada concludes that the EC Regulation is the equivalent of a national measure, and that any functions carried out by EC member States for the purposes of implementing the EC Regulation are carried out as sub-national units of the European Communities. As a result, Canada is not surprised that the EC Regulation delegates certain functions to EC member States that it cannot delegate to the sovereign governments of third countries. Of particular note, Article 5(6) provides that "EC member States shall introduce the laws, regulations and administrative provisions necessary to comply with this Article." There is no equivalent provision in the sections that set out the procedures that apply to third country governments; nor could there be.

66. However, having established its exclusive competence over the registration of geographical indications within the European Communities, the European Communities then confuses its relationship toward sub-national units of the European Communities with its relationship toward sovereign WTO Members.<sup>14</sup> In particular, the European Communities seeks to defend the requirement that third country governments, including those of WTO Members, assist applicants to comply with the requirements of the EC Regulation. This position by the European Communities effectively equates the downward delegation of responsibility to sub-national units with the outward

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<sup>12</sup> European Communities' first written submission, para. 130.

<sup>13</sup> European Communities' first written submission, paras. 253-255.

<sup>14</sup> European Communities' first written submission, para. 129.

delegation of responsibility to sovereign WTO Members. The European Communities apparently considers it "equal treatment" to require nationals of sovereign WTO Members to depend on the action of their governments (over which the European Communities has no authority) in the same way nationals of the European Communities depend on the action of their own governments (in circumstances where European Communities law requires that action). This is not equal treatment; it is less favourable treatment. The EC Regulation therefore imposes on WTO Members a requirement for reciprocal and equivalent treatment that is in violation of the national treatment obligations contained in Articles 2.1 and 3.1 of the TRIPS Agreement.

## **8. Points raised in response to Panel's questions**

67. Canada interprets the term "nationals", based on the ordinary meaning of this term as used in various provisions of the TRIPS Agreement, to refer to those natural and legal persons that have certain kinds of legal status in a given WTO Member, either through citizenship, in the case of natural persons, or through place of incorporation, in the case of legal persons such as corporations or associations. As such, natural and legal persons will be "nationals" of a WTO Member when they acquire such legal status. Only in the case of separate customs territory Members of the WTO, and in the case of nationals of non-WTO-Members residing or operating in the territories of WTO Members, does domicile or commercial establishment become a relevant factor for determining whether a natural or legal person is eligible for treatment otherwise available to nationals of a WTO Member. This distinction is clear from the provisions of the TRIPS Agreement, and from related provisions in the Paris Convention (1967) and the Berne Convention (1971), incorporated by reference into the TRIPS Agreement. For instance, Article 1.3 of the TRIPS Agreement provides that nationals "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) [and the] Rome Convention (1971)". Article 3 of the Paris Convention (1967) sets out how to treat nationals from countries that are not members of the Union, and in doing so makes an explicit distinction between natural or legal persons who are "nationals of countries outside the Union who are domiciled or who have real and effective industrial or commercial establishments" in a country of the Union, on the one hand, and "nationals" of a country of the Union on the other. Similarly, Article 3(2) of the Berne Convention (1971) makes an explicit distinction between authors who are "not nationals of one of the countries of the Union but who have their habitual residence" in a country of the Union on the one hand, and "nationals" of a country of the Union on the other. In both these cases, as a result of their domicile, habitual residence, or industrial or commercial establishment, natural or legal persons who are not otherwise nationals of a country of the respective Unions are *accorded treatment similar* to that accorded nationals of a country of one of the Unions. However, they *do not become nationals*, for the purposes of granting rights, of the country in which they reside. Therefore, as a result of the explicit reference to this distinction, the ordinary definition of "nationals" does not "necessarily include" natural persons who are domiciled, and legal persons who have an industrial or commercial establishment in a WTO Member.

68. Canada believes that the words "country of the Union", used in Article 2(1) of the Paris Convention (1967) as incorporated in the TRIPS Agreement by its Article 2.1, should be read *mutatis mutandis* to refer to "WTO Members". The TRIPS Agreement incorporates by reference certain of the substantive provisions (Articles 1 through 12, and Article 19) of the Paris Convention (1967) such that the obligations contained in those provisions apply to WTO Members as if they were all members of the Paris Union. While WTO Members who are *not* a "country of the Union" have no rights under the Paris Convention *per se*, the TRIPS Agreement incorporates these provisions of the Paris Convention (1967) for *all* WTO Members such that the Paris Convention (1967) provisions become WTO provisions. Therefore, for the purpose of the operation of the provisions thus incorporated, the words "country of the Union" are the same as "WTO Members". For example, Article 3 of the Paris Convention operates such that it grants national treatment to certain natural and legal persons for the purposes of the operation of the Convention. As a result of incorporation into the TRIPS Agreement,

that provision should be read as: "Nationals of Non-WTO Members who are domiciled or who have real and effective industrial or commercial establishments in the territory of a WTO Member shall be treated in the same manner as nationals of WTO Members."

69. Canada understands that, in traditional trade disciplines, which are generally prohibitions on trade-distorting discriminatory behaviour, a WTO Member may have a legal measure that is broad enough to be applied by domestic statutory authorities either consistently or inconsistently with that Member's international trade obligations. The question in such a case is whether the fact that the measure *could* be applied in a manner inconsistent with international trade law is sufficient to challenge the measure as such. In the case of intellectual property rights, the TRIPS Agreement establishes minimum standards of the protection. It *requires* WTO Members to implement domestic legislation that grants rights to private rights applicants as long as they meet the minimum criteria for eligibility established by the TRIPS Agreement. While a WTO Member has flexibility in deciding how to protect these rights, all Members must protect the same rights according to at least the minimum standards. Given that it is the specific rights that are prescribed by the TRIPS Agreement, once a Member has decided how it intends to grant those rights, the implementing measure cannot authorize the exercise of discretion other than in a manner consistent with the minimum standards. Otherwise, there would be no minimum standards for rights.

D. CHINA

## **1. Introduction**

70. China submits that a successful resolution of this dispute requires the removal of ambiguity in, and proper interpretation of, the following issues:

- applicability of Article 12 of the EC Regulation to non-EC WTO Members;
- verification and publication affecting non-EC WTO Members; and
- product specifications and inspection structures affecting non-EC WTO Members.

71. The provisions of the EC Regulation of particular concern to China are those relating to non-EC WTO Members. In this respect, ambiguities remain in the EC Regulation. Its frequent references to "third countries", "conditions for protection", etc., are without any express delineation as to whether certain provisions are applicable to a non-EC WTO Member or not. The interpretations and cross-references offered in the European Communities first written submission fail to remove these ambiguities.

## **2. Applicability of Article 12 of the EC Regulation**

72. The European Communities' textual interpretation of Article 12, including the wording "[w]ithout prejudice to international agreements" is not accompanied by any evidentiary support, whether in terms of actual implementation or of judicial deliberation. Nor is there any regulatory language in the provisions to expressly exclude the applicability of these provisions to non-EC WTO Members. While paragraph (10) of the recitals speaks specifically of a right of objection granted to nationals of WTO Member countries on the basis of the "without prejudice" *chapeau*, the preamble of the EC Regulation's amendments does not expressly exclude WTO Members from the Article 12 applicability of the reciprocity and equivalence requirement to third countries. Had the drafters intended that Article 12 would not apply to non-EC WTO Members, a clause to that effect sitting next to the express reference to the right to object in the Preamble would have been inserted.

73. The European Communities itself admits that the EC Regulation *does* require that conditions be met in respect of "specific geographical indications from third countries" which, more likely than not, includes WTO Members, where it stated that it does require that the product specifications and inspection regimes with regard to specific GIs from third countries meet the conditions of Regulation 2081/92.<sup>15</sup>

74. Immediately after that paragraph, the European Communities continues to argue that, in the event that the above equivalence and reciprocity requirements with respect to product specification and inspection regime were challenged by the complainants in this case, it would not be inconsistent with Article 3.1 of the TRIPS Agreement and Article 2(1) of the Paris Convention.

75. The language of Article 12 does not support the European Communities' interpretation that it was not applicable to WTO Members. That interpretation requires steps in reasoning with precise attention to the WTO TRIPS Agreement. The "without prejudice" *chapeau* is too general to reflect such reasoning.

76. Putting aside the legitimacy of such specification and inspection issues, it is worth noting that the European Communities' reversion to demanding equivalence and reciprocity in respect of certain components of its GI protection regime is particularly significant. It further added complication to the proper interpretation of Article 12 as quoted above. By reintroducing the equivalence and reciprocity requirement for specifications and inspections in relation to specific GIs from WTO Members, the European Communities appears to admit that portions of Article 12, particularly in respect of the whole first indent and the first portion of the second indent of Article 12(1), apply to WTO Members, in contradiction to its earlier argument that the whole Article does not apply.

77. The language of Article 12 does not suggest a split in the applicability of, for example, the registration requirement versus the overall protection regime. The leading sentence "this Regulation may apply to an agricultural product or foodstuff from a third country provided that" appeared to suggest that the overall applicability of the whole Regulation would be available or withheld depending on whether equivalence would be met. The European Communities' split interpretation could only be understood easily if there were a separate set of provisions regarding applicability of this Article to non-EC WTO Members, or if WTO Members are expressly excluded from the definition of third countries in relation to specific indents of this Article.

### **3. Verification and publication affecting non-EC WTO Members**

78. Other provisions pertaining to verification and publication in the EC Regulation did not appear to afford clarity. As the European Communities describes, verification and publication bifurcated to two "parallel" sections of the GI Regulation, Article 6 in relation to GIs from the European Communities, and Article 12b in relation to GIs from third countries. However, in the same portions of its first written submission, the European Communities avoids setting out in detail the different verification and publication procedures as they respectively apply to applications from EC member States and those from third countries, including WTO Members. A closer reading of the two articles reveals that, while parallel in form, they are not the same in substance. If no less favourable treatment is granted to GIs from WTO Members in comparison to those from EC member States, Article 6 should govern both EC member States and WTO Members, and non-WTO third countries should be governed by Article 12b.

79. Under Article 6, within six months of its receipt of an application transmitted from an EC member State, the EC Commission is required to verify and investigate whether the application contained all product specification requirements under Article 4. If the Commission finds "that the

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<sup>15</sup> European Communities' first written submission, para. 118.

name qualifies for protection", publication for objection and ultimate registration would ensue; if the Commission concludes otherwise, the name is not published. Prior to publication, the Commission may request the opinion of a Committee composed of representatives of EC member States; in the event that the Commission differs with the Committee, or if the Committee delivers no opinion, the matter is required to be submitted to the EC Council for final determination on the basis of qualified majority.

80. Article 12b, on the other hand, requires the EC Commission to verify and investigate "whether the registration request sent by the third country [including WTO Members] contains all the necessary elements", a wording different from "whether the application includes all the particulars provided in Article 4" in respect of applications from the European Communities. A transmission from WTO Members, together with non-WTO third countries, is treated as a "registration request" in contrast to an "application" from within EC member States. Such a difference in terminology, albeit slight, is significant as a scrutiny of whether the request contains "all the necessary elements" is wider and more intensive than a verification of whether the application includes all the particulars under Article 4. For verification by the Commission of requests from third countries, including WTO Members, Article 12b does not simply refer to Article 4 particulars. It appears to suggest that a third country, including a WTO Member in transmitting its request, has more to satisfy than a EC member State in transmitting an application. The suggestion is further borne out by the requirement under Article 12a(2) that the third country, including a WTO Member must "deem the requirement of this Regulation to be satisfied" before transmitting in contrast to the Article 5(5) requirement that a EC member State only has to "check that the application is justified".

81. Further indication of the difference and likely extra burden is the Article's reference to "conditions for protection". In place of the parallel requirement that the EC Commission shall make the determination of whether to publish or not based on whether a EC name "qualifies for protection" under Articles 6(2) and 6(5), Article 12b requires that the Commission make the determination of publication by analyzing whether a third country name, including a name from a WTO Member, "satisfies the conditions for protection".

82. The EC Regulation fails to define what "all the necessary elements" and what "the conditions for protection" are. Yet these requirements tend to lead WTO Members to look to the direction of the prior European Communities' insistence upon reciprocity and equivalence requirements, at least in respect of product specifications and inspection regimes.

83. Prior to publication of names from all third countries including WTO Members, the Commission may request the opinion of a Committee composed only of representatives of EC member States. In the event that the Commission differs with the Committee, or if the Committee delivers no opinion, the matter is then required to be submitted to the EC Council for final determination on the basis of qualified majority. This resolution of possible disputes on publication was again available to names from WTO Members, but the process does not invite WTO Members to participate.

#### **4. Product specifications and inspection structures affecting non-EC WTO Members**

84. Article 10 contains relatively detailed provisions with respect to the obligations on EC member States to establish inspection structures to ensure quality of EC GIs; the EC Regulation does not contain express parallel provisions for WTO Members in connection with their own GIs. The European Communities insists that its EC Regulation does require that the product specifications and

inspection regimes with regard to specific geographical indications from third countries, presumably including WTO Members, meet the conditions of Regulation 2081/92.<sup>16</sup>

85. There is no express definition or cross-reference as to what these conditions are in relation to WTO Members. Article 12a(2) provides that a WTO Member must attach certain documents to its transmitted registration request. The EC Commission, pursuant to its verification and publication powers under Article 12b, determines whether the above attachment transmitted by the WTO Member satisfies the conditions of the EC Regulation. It is not clear that the above requirements are the only conditions for WTO Members to satisfy. Again, in possible cases of doubt, the EC Council would have the final power to make sure a determination, under Article 12b, without participation from other WTO Members.

86. In contrast, the parallel provision of Article 5(4) does not require EC member States to guarantee Article 10 inspection structures, as they are obligated to establish the structure pursuant to the requirements under the Article; nor are EC member States required to describe their domestic GI protection system. Subsequently, EC member States can expect a relatively simple *prima facie* verification process, involving only a review of whether the application contained all the particulars.

87. A further example of the European Communities' ambiguity under Article 10 is the silence on whether designated inspection authorities in non-EC WTO Members can be readily accepted by the EC Commission and how that acceptance relates to the particulars of its inspection structure which is to be reviewed by the Commission. Under Article 10(2), EC member States, while obligated to establish their respective inspection structures, can reasonably expect no objection by the Commission to accept their designated authorities. With respect to "approved inspection bodies" in third countries, the EC Regulation specifically requires that "third countries recognized pursuant to Article 12(3)" are to comply with "[t]he equivalent standard or the applicable version of the equivalent standard" "to be established or amended in accordance with the procedure laid down in Article 15", a procedure without representation from other third countries. Ambiguity exists as to whether WTO Members are required to comply with this requirement. Again, since the European Communities in its first written submission in interpreting Article 12 admits that WTO Members are required to meet the conditions of the GI Regulation in respect of product specification and inspection structure, it appears that under the GI Regulation, WTO Members are required to establish "equivalent standard" for private inspection bodies and possibly for "designated inspection authorities".

88. No clarification as to what that equivalent standard is was available until the European Communities gave its first written submission. It provides no guidance as to what constituted equivalent standard for WTO Members. It refers to ISO/IEC Guide 65:1996, but only as "an example"<sup>17</sup>, and it is also not clear whether that standard has passed the Commission's Article 15 procedure, as required under Article 10(3) of the Regulation below.

89. If the European Communities' interpretation that "third countries recognized pursuant to Article 12(3)" did not include WTO Members for the purpose of awarding right to object<sup>18</sup> is to be acceptable, the EC Regulation is again silent as to what the equivalent standard for private inspection bodies is for WTO Members except for the general statement made in its first written submission that it did require reciprocity and equivalence in respect of inspection structures, or it would be contradicting itself by implying that ISO/IEC Guide 65:1996 applies to WTO Members. Such a contradiction does not assist in the proper interpretation of the EC Regulation.

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<sup>16</sup> European Communities' first written submission, para. 118.

<sup>17</sup> European Communities' first written submission, para. 54.

<sup>18</sup> European Communities' first written submission, para. 74.

90. Notwithstanding the above inconsistency, the European Communities insists upon reciprocity and equivalence conditions, both in terms of product specifications and in particular inspection structure, whether appearing in the form of requisite attachments or the outright requirement for equivalence. WTO Members are required to have a prior established set of legal rules for the protection and inspection of GIs, including GIs from the European Communities, before they can expect to transmit registration requests from their nationals to the European Communities for EC GI protection. In making a transmission, no WTO Member would ignore the EC Regulation's "all the necessary elements" and "the conditions for protection" requirement set out by the European Communities under Article 12b(1) or the European Communities' express insistence upon equivalence in product specifications and inspection structures. The safest approach in order to have their respective registration request accepted for publication is to meet the European Communities' equivalence conditions.

91. In that respect, China believes that product specification and inspection structures are quintessential for the value and quality of GIs, just as the European Communities argued.<sup>19</sup> An overall GI protection system built upon reciprocal and equivalent product specification and inspection from WTO Members can hardly be described as reciprocity and equivalence, neutral for such WTO Members. In arguing that its reciprocity and equivalence conditioning would only be limited to these two components of its GI protection regime and not be applicable to its overall GI regulatory protection system, the European Communities is far from convincing. The essential link between product specification and inspection structure and the overall GI protection cannot be artificially separated.

## **5. Other points raised in response to the Panel's questions**

92. China refers to the example of the Patent Cooperation Treaty ("PCT") as an international arrangement according to which national governments cooperate by acting as agents or intermediaries in the protection of private rights. To the best of China's knowledge, there is no other international arrangement established under the legislation of one of the parties to that arrangement. In the case of international arrangement established under PCT, application requirements and procedures are applied universally and equally among members. If an international arrangement in respect of protection of private rights is to be established under the legislation of one of the parties to the arrangement, such legislation or international arrangements, established thereunder, shall not impose extra burdens with respect to availability, acquisition, scope, maintenance and enforcement of private rights as well as those matters affecting the use of such private rights.

93. China understands that the term "nationals" as used in Article 1.3, including footnote 1, and Articles 3.1 and 4 of the TRIPS Agreement and Article 2 of the Paris Convention (1967) relates to national treatment in this dispute. In the context of protection of intellectual property rights, natural persons who were domiciled, or legal persons who had a real and effective industrial and commercial establishment in a specific member are required under the TRIPS Agreement and Paris Convention (1967) to be treated in the same manner as nationals of that Member. In this regard, China believes that "nationals" as used in Article 1.3, including footnote 1, and Articles 3.1 and 4 of the TRIPS Agreement and Article 2 of the Paris Convention (1967) covered both natural or legal persons holding the nationality of a certain Member of the TRIPS Agreement as well as natural persons who are domiciled, or legal persons who had a real and effective industrial and commercial establishment in that Member.

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<sup>19</sup> European Communities' first written submission, paras. 48-55 and 121.

94. China does not consider that the words "country of the Union", in Article 2(1) of the Paris Convention (1967), as incorporated in the TRIPS Agreement by its Article 2.1, should be read *mutatis mutandis* to refer to "WTO Member" for the following reasons. First, the text of the two international agreements does not support such an inference. According to Article 1(1) of the Paris Convention (1967) the words "country of the Union" refer to a member state of the Paris Convention (1967). In contrast, "WTO Member" means a party to the Agreement Establishing the World Trade Organization. The Paris Convention and the Agreement Establishing the World Trade Organization are two international agreements among different member states. The TRIPS Agreement was one of the series of WTO agreements. The member states of each of these two international agreements promised to take on different obligations and are entitled to different rights under different international agreements of which they are member states. Although certain Articles of the Paris Convention are incorporated by Article 2.1 of the TRIPS Agreement, the two agreements still remain separate and independent international agreements, and both are in force. The incorporation does not affect other existing obligations between other member states under TRIPS and the Paris Convention. Second, the factual member status does not allow such inference. In fact, there are more member states of the Paris Convention than of the WTO; while the Paris Convention has 160 member states, the WTO has 147 Members.

95. China considers that that different treatment of GIs under the EC Regulation would also amount to less favourable treatment of like products. It quotes the view of the Appellate Body in *Korea – Various Measures on Beef* that according "treatment no less favourable" means according conditions of competition no less favourable to the imported product than to the like domestic product and that this should be assessed by examining whether a measure modified the conditions of competition in the relevant market to the detriment of imported products.<sup>20</sup> Therefore, in the current case, if different treatment accorded to names by the EC Regulation is found to result in modification of the conditions of competition under which like products, imported products and EC like products, competed in the EC market to the disadvantage of imported products, then the different treatment granted to names would amount to less favourable treatment of like products. China therefore believes that evidence in respect of different treatment of names is relevant to a determination of less favourable treatment of like products.

96. China believes that measures that came into force after this Panel was established are within the terms of reference of this Panel. The complainants had specified the concerned amendments in their request for the establishment of a panel, and those contents accordingly have been properly included in the terms of reference of this panel. The European Communities claims that only measures in force at the time that the Panel was established are within the terms of reference of the Panel. However, there is no requirement in the DSU or in WTO dispute settlement practice for arguments that the Panel's jurisdiction is only limited to measures that had already come into force when the Panel was established. The European Communities does not provide any legal basis for its claim nor could it find support from the functions and the objective of the terms of reference, as explained by the Appellate Body in *Brazil – Desiccated Coconut*. The parties and third parties, therefore, were given sufficient information concerning the claims at issue in the dispute, and were allowed enough opportunity to respond to the complainant's case. It is irrelevant in this respect whether the concerned amendments came into effect before or after this Panel was established. Furthermore, following the European Communities' logic, when a measure was challenged before the DSB, once the respondent had replaced the challenged measure with an amendment before the Panel was established, and that new amendment came into force immediately after the establishment of the Panel, then the Panel would not be able to examine either the old measure or the amendment, because the challenged old measure no longer had any effect by the time of the Panel's establishment, while the new amendment had not yet come into effect.

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<sup>20</sup> Appellate Body Report on *Korea – Various Measures on Beef*, para. 135.



97. China considers that the mandatory/discretionary distinction in GATT and WTO jurisprudence fully applies under the TRIPS Agreement and that the nature of the concerned obligations under the TRIPS Agreement therefore shall not affect the application of the distinction. It is irrelevant whether the nature of some TRIPS obligations is to prohibit or to oblige Members to take certain actions in respect of the application of the mandatory/discretionary distinction. The nature of the concerned obligations under the TRIPS Agreement therefore shall not affect the application of the distinction. It is established under WTO law that a Member could challenge measures of another Member on a *per se* basis when those measures mandate, in certain circumstances, a violation of its WTO obligations. There is a considerable body of dispute settlement practice concerning the mandatory/discretionary distinction, or *per se* violation rule, as it is more commonly referred to. In the relevant panel and Appellate Body reports addressing the mandatory/discretionary distinction, nowhere is it stated that the nature of the concerned WTO obligations as distinguished by the Panel in this question shall affect the application of the distinction. Furthermore, certain obligations, (e.g. the national treatment principle under TRIPS), *inter alia*, on one hand, that oblige Members to take certain actions, are also prohibitions in nature on the other. The national treatment principle in Article 3.1 of the TRIPS Agreement, prohibits a Member according to the nationals of other Members treatment less favourable than that it accords to its own nationals. Therefore, from the text of this provision, it is clear that the nature of the national treatment principle is an obligation which both obliges each Member to accord to the nationals of other Members treatment no less favourable than that it accords to its own nationals, and prohibits Member from according to the nationals of other Members treatment less favourable than that it accords to its own nationals.

E. COLOMBIA

## 1. Introduction

98. Colombia has a systemic interest in this dispute in that it attaches great importance to determining the scope of the obligations assumed by WTO Members under the TRIPS Agreement. As a country that has protected one of its main export products with a trademark, Colombia is interested in ensuring that WTO Member countries continue to be entitled to allow their nationals to decide whether they must choose one of the intellectual property protection instruments or whether they are in fact entitled to combine those instruments according to the specificities of the different markets.

## 2. Reciprocity and equivalence requirement

99. In response to the argument made by Australia and the United States with respect to the violation of the national treatment provisions for the registration of, or objection to, a geographical indication, the European Communities has stated that the expression "without prejudice to international agreements" included in Article 12(1) and (3) of the EC Regulation ensures that the rights of WTO Members are preserved. According to the European Communities, the WTO membership of the country to which the applicant for registration belongs is a sufficient guarantee that there is protection of geographical indications.<sup>21</sup> If this is the correct interpretation of the legislation, Colombia thinks the Panel should recommend that the European Communities amend its legislation to ensure that the clause in question is given the scope and meaning that the European Communities attributes to it in its submission as such an interpretation cannot be drawn from a simple reading of the clause in its current version.

100. Even if Colombia were to accept, for the sake of discussion, that this is the scope of the clause with respect to international agreements, there is still a point that remains unclear, namely the way in which the third country would transmit the registration application under Article 12a(2). Indeed,

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<sup>21</sup> European Communities' first written submission, para. 66.

Colombia wonders whether the country of origin of the applicant, being required in any case to describe the legal provisions protecting the said designation and the way in which its inspection structures operate, is not subject to a certification or equivalency process. In practice, Colombia sees this requirement as a condition involving an evaluation of protection systems in force in the country of origin of applicants for geographical indications. Consequently, Colombia sees protection as being clearly contingent on the evaluation of the applicant's system, and this is contrary to Article 1.1 of the TRIPS Agreement.

101. Colombia does not agree with the European Communities' argument that drawing a distinction between geographical areas or territories is not a violation of the national treatment principle. Any distinction that in any way identifies the geographical indications of the European Communities as opposed to the others would clearly result in a violation of national treatment commitments.

### **3. Relationship between trademarks and geographical indications**

102. With respect to the relationship between trademarks and geographical indications, Colombia agrees with the argument that the TRIPS Agreement does not establish any supremacy of one instrument of protection over another. This does not mean, however, that the European Communities' regulations can simply ignore the right of the trademark owner under Article 16.1 of the TRIPS Agreement. To do so is a clear violation of the European Communities' WTO commitments.

#### **F. INDIA**

##### **1. Points raised in response to the Panel's questions**

103. India is not aware of any group or person ever having filed with its authorities either an application for, or an objection to, a registration pursuant to the EC Regulation. If such filing was to occur, India would be willing to transmit such an application to the European Communities. However, the question whether the Government would be able to do so would depend upon what the transmission entails, in particular whether it may involve any procedures or need for any infrastructure for which there may be capacity constraints. India allows direct access by GI applicants to its national authority irrespective of nationality. In respect of applicants who do not have a principal place of business in India, it is necessary to indicate an address for service in India. In case of applicants from other WTO Member countries, it is necessary to include a certificate by the Registry or competent authority of the Geographical Indications Office of the WTO Member country in the application for registration and it is necessary to include the particulars of the geographical indication, the country and date of filing of the first application in the WTO Member country and such other particulars as may be required by the Registrar.

104. India understands that the European Communities has stated that it does not provide less favourable treatment to geographical indications located in other WTO Members.<sup>22</sup> At the same time, it is not very clear to India from the European Communities' statement whether providing no less favourable treatment to nationals of other WTO Members along with providing less favourable treatment to geographical indications located outside the EC member States would satisfy the requirement of national treatment in Article 3.1 of the TRIPS Agreement. It is India's view that the only valid interpretation of the terms "treatment...with regard to the protection" in Article 3.1 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 geographical indications applied for by them, whether located inside the EC member States or located in other WTO Members. The only deviations permitted are the procedural ones, such as those provided in Article 3.2, whereby additional

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<sup>22</sup> European Communities' first written submission, para. 125.

requirement for judicial or administrative procedures can be imposed upon applicants of other WTO Member countries.

105. In India's view, the words "country of the Union" in Article 2(1) of the Paris Convention (1967) as incorporated in the TRIPS Agreement by its Article 2.1, should be read *mutatis mutandis* to refer to "WTO Member".

106. India is not aware of any GIs registered under the EC Regulation that are identical (or confusingly similar) to Community protected trademarks owned by Indian nationals.

107. India sees no apparent conflict between Articles 16.1 and 22.3 of the TRIPS Agreement. Article 16.1 deals with rights of a trademark owner against "third parties" in the context of use of identical or similar signs which may cause confusion. It also provides that these rights shall not prejudice any existing prior rights. Article 22.3 entitles WTO Members to refuse or invalidate the registration of a trademark which consists of or contains geographical indication with respect to the goods not in the territory indicated if such use is of a nature as to mislead the public as to the true place or origin. Any potential conflict would be avoided in India as provisions of Section 25 of the Geographical Indications of Goods (Registration and Protection) Act, 1999 of India provide for refusal or invalidation of registration of trademarks that contain or consist of geographical indications that may cause confusion.

108. Under Section 12 of India's Trade Marks Act of 1999, registration by more than one proprietor of trademarks which are identical or similar may be permitted in the case of honest concurrent use. However, GIs are not covered by that provision. Section 26 of India's Geographical Indications (Registration and Protection) Act of 1999 provides that where a trademark contains or consists of a geographical indication and has been applied for or registered in good faith under the law relating to trademarks or where rights to such trademark have been acquired through use in good faith either (a) before the commencement of the Act, or (b) before the date of filing of the application for registration of such geographical indication under the Act, nothing contained in the Act will prejudice the registrability or the validity of the registration of such trademark or the right to use such trademark on the ground that such trademark is identical with, or similar to, such geographical indication. India's Geographical Indication Act does not discriminate between GIs and trademarks of European Communities and non-EC countries.

## G. MEXICO

### 1. Introduction

109. Mexico presents arguments in support of its view that the EC Regulation is inconsistent with the TRIPS Agreement. It addresses the following points which it considers fundamental to this dispute:

- the national treatment obligation;
- the MFN treatment obligation;
- the protection of trademark rights under Articles 16.1 and 24.5 of the TRIPS Agreement; and
- cochineal: a product of Mexican origin.

## **2. National treatment**

110. Like the complaining parties, Mexico submits that Article 12(1) of the Regulation violates the principle of national treatment in that it accords less favourable treatment to third countries than it accords to EC member countries. Under Article 12(1) of the Regulation, foreign countries cannot enjoy the same benefits as EC nationals with respect to the registration of geographical indications unless they meet certain conditions of reciprocity. The language of Article 12(1) of the Regulation is precise and unequivocal: a third country must "give guarantees identical or equivalent" in order to be able to receive the same protection as EC member countries; otherwise, nationals of other WTO Members cannot enjoy the protection accorded by the Regulation. This is clearly contrary to the principle of national treatment contained in Article 3.1 of the TRIPS Agreement. Moreover, the Regulation violates the principle of national treatment by once again imposing conditions of reciprocity and preventing nationals of countries that are not EC members from submitting their objections with respect to applications for the registration of geographical indications directly to the European authorities. Indeed, Article 12d(1) of the Regulation stipulates that objections from WTO Member countries must be submitted first to the government of the country in question, which must then transmit the objection to the European Commission. In other words, unlike the EC member countries, WTO Member countries that do not belong to the European Communities bear the additional burden of first having to address themselves to their national authorities, and then having to delegate to those authorities the task of following up the objection process.

## **3. MFN treatment**

111. The Regulation also represents an infringement of the principle of most-favoured-nation treatment established in Article 4 of the TRIPS Agreement. By limiting intellectual property protection exclusively to third countries that provide equivalent guarantees, the European Communities is denying equal treatment to non-EC member States. Article 12(1) of the Regulation provides for treatment that discriminates between third countries to the detriment of those which fail to comply with the reciprocity conditions laid down in the Regulation. In other words, the advantages, favours and privileges of the Regulation are available to certain third countries only, and are not accorded immediately and unconditionally to the nationals of all other WTO Members as stipulated in Article 4 of the TRIPS Agreement.

## **4. Protection of trademark rights under Articles 16.1 and 24.5 of the TRIPS Agreement**

112. This dispute touches on the delicate subject of the relationship between trademarks and geographical indications. Indeed, these two forms of protection of intellectual property rights can easily become the subject of conflicts, since they can protect, albeit from different angles, one and the same product with the same distinctive sign. The TRIPS Agreement addresses, and tries to resolve, these possible confusions through Articles 16.1 and 24.5, which establish the rights of trademark and geographical indication owners. In this connection, Mexico notes that the Regulation violates at least two provisions of the TRIPS Agreement, namely Articles 24.5 and 16.1.

113. Article 14(1) of the Regulation clearly violates Article 24.5 of the TRIPS Agreement. Contrary to what is provided for in the TRIPS Agreement, this provision of the Regulation gives clear preference to geographical indications over trademarks that were registered subsequently. This priority for GIs takes as a time reference the day of registration or application of the trademark with the EC authorities and rejects the possibility of a trademark having previously been registered in a non-EC member country. The deliberate failure to recognize prior registrations in third countries violates not only Article 24.5 of the TRIPS Agreement, but also Article 4 of the Paris Convention. In its written submission, the European Communities confirms its position by stating that the only relevant date for the purposes of Article 24.5 is the date of filing of the application before the national

authorities, in this case before the EC authorities. This argument clearly does not justify a deviation from Article 24.5 of the TRIPS Agreement.

114. The exclusive right conferred by Article 16.1 is severely impaired by Article 14(2) of the Regulation, which permits coexistence between a previously registered trademark and a subsequent geographical indication. This means that in the European Communities, the fact that a trademark was registered prior to a subsequent geographical indication does not constitute an obstacle to invalidating the registration of the geographical indication. In its first written submission, the European Communities goes so far as stating that the TRIPS Agreement not only permits the coexistence of trademarks and geographical indications, but, in fact, requires such coexistence. In the same submission, the European Communities admits that coexistence of the two types of protection is not the perfect solution, but it is preferable to a rigid application of the "first-in-time" rule. Mexico considers these justifications to be insufficient. By acknowledging that the solution implemented under the Regulation may not be the perfect solution, the European Communities is recognizing the inconsistency of its legislation. Similarly, by ignoring the "first-in-time" approach, the European Communities is violating not only Article 24.5 of the TRIPS Agreement, but also a recognized general principle of law.

## **5. Cochineal: a product of Mexican origin**

115. Mexico considers that "cochineal" should be removed from Annex II of the Regulation. Annexes I and II of the Regulation specifically mention the products falling within the scope of application of the Regulation. Article 1 of the Regulation establishes the relationship between Annexes I and II and the other provisions. The list of products in Annex II includes a product of Mexican origin, "cochineal" (*Coccus Cacti*), a small insect which lives on the nopal cactus, or Mexican cactus, and which produces an intense red colour used as textile dye and food colouring. The use of cochineal in Mexico dates back to the pre-colonial period. The Aztecs used this colouring matter for centuries before Hernán Cortés arrived in Mexico from Spain in 1519. The first export of the product to Spain took place in 1523, a few years after Cortés's invasion of Mexico. Subsequently, cochineal bugs were cultivated in parts of Spain in which the climate and conditions were similar to those of Mexico. Thus, cochineal is now also produced in Spain, specifically in the Canary Islands. Given that the product exists simultaneously in Mexico and the European Communities, registration of cochineal from Mexico in the European Communities would clearly be refused under the Regulation.

116. Mexico submits that, according to the definition of geographical indications in Article 22 of the TRIPS Agreement, the product in question must be of a quality, reputation or other characteristic essentially attributable to its geographical origin. In the case of cochineal, a number of its characteristics can be attributed essentially to the territory of Mexico. The product's history demonstrates that, if there is a country to which the special qualities of cochineal can be attributed for the purposes of intellectual property protection, it is Mexico. Consequently, it would make no sense to register cochineal as a geographical indication in any territory which is not in Mexico. Hence, Mexico requests that the Panel rule that the inclusion of the product "cochineal" as eligible for protection as a geographical indication of the European Communities is illegal.

117. In response to a question from the Panel, Mexico explains that it considers cochineal a product classification which is capable of being registered as a geographical indication under the EC Regulation. The categories of "product classification" and "geographical indication" are not mutually exclusive. The EC Regulation is the "specific measure at issue". Since Annex II is part of such Regulation, it is clearly contained in the "specific measure at issue". Mexico is fully aware that this Panel has standard terms of reference and is, therefore, limited to examining the claims made by Australia and the United States. As a third party, Mexico does not intend to submit, and is not submitting, claims which are different from those raised by the parties. In fact, Mexico is only

addressing some of these claims. In this respect, Mexico is providing arguments to support at least two of the three claims made by the parties, namely the violation of the principles of national treatment and MFN treatment and the violation of the TRIPS rules regarding the relationship between trademarks and geographical indications. Mexico brings cochineal as a real-world example of how the EC Regulation violates these rules and it simply intends to support the United States' and Australia's arguments in these respects. From Mexico's perspective, it is clear that Mexican producers of cochineal are required to go through specific procedures which EC nationals (national treatment) or countries which give equivalent guarantees to nationals of the European Communities (MFN treatment) are not. Furthermore, Mexico would observe that the Panel is fully entitled under Article 19.1, second sentence, of the DSU, to suggest ways in which a Member may implement the Panel's own recommendations and rulings. There is no requirement in the DSU that such a request has to be forwarded by a party to the case. In the past, panels have issued suggestions for Members to withdraw their measures which have been found to be WTO-inconsistent.<sup>23</sup> Given that Mexico's interest in cochineal is so specific, Mexico does not request that the Panel suggest that the European Communities repeal its legislation as a whole, but merely to solve Mexico's very specific problem in this way. If the Panel does not deem it appropriate to suggest specifically that the European Communities remove the name of cochineal from Annex II of the Regulation, Mexico would certainly obtain the same result if the Panel suggested that the European Communities comply with its recommendations and rulings by withdrawing the Regulation.

## **6. Points raised in response to the Panel's questions**

118. Mexico is not aware of any group or person ever having filed with its authorities either an application for or an objection to a registration pursuant to the EC Regulation. As to the question whether Mexico would be willing or able to transmit such applications, according to Article 6.III of Mexico's Industrial Property Law (LPI), the Mexican Institute of Industrial Property (IMPI) is the administrative authority in charge of ensuring the protection of appellations of origin. The IMPI, acting through the Ministry of Foreign Affairs, would thus be empowered to request or, where appropriate, to transmit an application for registration of an appellation of origin to any international agency. The use of this procedure, including the submission of an application for registration of a Mexican appellation of origin under the EC Regulation will, however, depend on the findings made by this Panel. Mexico's LPI makes no distinction on the basis of nationality. According to its provisions, the owner of appellations of origin is the Mexican State and authorization to use them is issued by the IMPI to any natural person or legal entity that complies with the requirements and procedures in Articles 169-178 of the LPI.

119. Mexico submits that foreign GIs are protected under the TRIPS Agreement, the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration, and treaties which Mexico has concluded with other countries. As established in the Paris Convention, the principles of national treatment and of assimilation to nationals imply that, with respect to industrial property, each member State is required to afford nationals of other member States the same treatment as that afforded to its own citizens without conditioning such treatment on reciprocity. Hence, nationals – i.e. both natural persons and legal entities – enjoy the industrial property rights granted by the member State without any requirement as to domicile or establishment. Pursuant to Article 2(3) of the Paris Convention, however, member States may apply the domicile requirement for the purpose of judicial or administrative procedures. Additionally, the fact that Article 2(1) of the Paris Convention is incorporated by reference in Article 2.1 of the TRIPS Agreement, means that WTO Members are required to comply with Articles 1 through 12 and Article 19 of the Paris Convention in respect of geographical indications as regulated in Part II of the Agreement.

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<sup>23</sup> Panel Report on *Guatemala – Cement I*, para. 9.6; and Panel Report on *US – Offset Act (Byrd Amendment)*, para. 8.6.

120. Mexico is not aware of any GIs registered under the EC Regulation that are identical or confusingly similar to trademarks in the European Communities registered by Mexican nationals. Mexico also considers that Articles 16.1 and 22.3 of the TRIPS Agreement apply to different situations. Article 16.1 of the TRIPS Agreement deals with trademarks, and more specifically with the rights conferred on trademark owners and situations relating to existing prior rights and rights made available on the basis of use. Article 22.3 regulates the protection which WTO Members are required to provide for geographical indications and specifies the circumstances in which registration of a trademark which contains or consists of a geographical indication may be invalidated or refused.

121. Under Mexican law, and specifically the LPI, there are two situations in which registration of a mark is not effective against third parties, as well as exceptions to the use of a mark being classified as an administrative infringement. In the first instance, Article 92.I of the LPI specifies that the owner of a registered mark may not prevent a third party acting in good faith from using the same or a confusingly similar mark for the same or similar products or services, provided that such use is made in good faith and occurred prior to the date of filing the application for registration, or the date of first declared use of the mark. In the second instance, Article 213.X of the LPI provides that, in the case of comparative advertising, a third party may use a registered mark for the purpose of informing the public, provided that the comparison is not tendentious, false or exaggerated within the meaning of the Federal Consumer Protection Law. Application of these two scenarios to geographical indications is governed by the provisions of the TRIPS Agreement and other international instruments to which Mexico is party.

122. Mexico does not believe that previous panel decisions constitute binding jurisprudence for subsequent panel determinations, including previous decisions on the mandatory/discretionary distinction in GATT and WTO. In this sense, Mexico agrees with the statement by the Appellate Body<sup>24</sup> that panel reports bind the parties to the dispute but do not create definitive interpretations of the relevant provisions.

## H. NEW ZEALAND

### 1. Introduction

123. New Zealand has a significant systemic interest in ensuring that the WTO disciplines applicable to intellectual property rights are respected. These disciplines seek to ensure that such rights are adequately and effectively protected while also ensuring that the measures Members adopt to enforce these rights do not of themselves become barriers to legitimate trade. New Zealand has a significant interest in maintaining protection for the intellectual property rights of New Zealand producers who have invested in innovation and in the promotion of their products, and in ensuring that the market access and ability to brand New Zealand products is not precluded. As a major exporter of agricultural products and foodstuffs, New Zealand has an interest in ensuring that its producers are able to brand and promote their agricultural products in export markets, including the European Communities.

124. In the present case New Zealand brings forward arguments to support the claims of the complainants that the EC Regulation violates the European Communities WTO obligations. New Zealand focuses its arguments on the claims raised by the complainants under Articles 2.1, 3.1, 16.1 and 22.2 of the TRIPS Agreement and Article III:4 of GATT 1994. New Zealand also supports the arguments made by Australia that the EC Regulation is inconsistent with Articles 2.1 and 2.2 of the TBT Agreement but, for the sake of brevity, does not address them in its submissions.

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<sup>24</sup> Appellate Body Report on *Japan – Alcoholic Beverages II*, at pp 13-14.

## **2. The EC Regulation is inconsistent with national treatment obligations under the TRIPS Agreement and GATT 1994**

### **(a) Introduction**

125. The national treatment obligation is "a cornerstone of the world trading system that is served by the WTO".<sup>25</sup> In the TRIPS Agreement, this obligation is incorporated into the legal framework for protection of intellectual property rights by way of Article 2.1 (which requires WTO Members to comply with, *inter alia*, Article 2(1) of the Paris Convention) and Article 3.1. By virtue of Article 2.1, the European Communities is obliged to provide nationals of other WTO Members with "the same protection" as its own nationals. Under Article 3.1, the European Communities is obliged to provide "treatment no less favourable than that it accords to its own nationals with regard to the protection of intellectual property". The European Communities is also obliged under Article III:4 of GATT 1994 to accord to imported products of the territory of any contracting party "treatment no less favourable than that accorded to like products of national origin in respect of all laws, regulations and requirements affecting their internal sale." The European Communities does not dispute that these national treatment obligations apply to the EC Regulation.

### **(b) Interpretation of the EC Regulation**

126. The European Communities disputes as a factual matter the complainants' interpretation of Article 12(1) of the EC Regulation on which the national treatment violation arguments are based. The European Communities claims this interpretation "is based on a misunderstanding" of its Regulation.<sup>26</sup> The European Communities argues that Article 12(1) of Regulation 2081/92 clearly applies "without prejudice to international agreements". It goes on to state that such international agreements include the WTO Agreements, and for this reason "Article 12(1) and (3) of Regulation 2081/92 do not apply to WTO Members".<sup>27</sup> Rather, the European Communities continues, WTO Members are to follow the procedures set out in Article 12a and 12b of the EC Regulation. This novel interpretation of the European Communities does not withstand close scrutiny. First, it runs counter to the usual meaning of the phrase "without prejudice to international agreements". Second, it is inconsistent with the wording of the EC Regulation itself. Third, to New Zealand's knowledge, this is the first time that this interpretation has been raised by the European Communities, despite consultations being held on the interpretation of its Regulation.

127. The European Communities interprets the phrase "without prejudice to international agreements" in a manner which acknowledges its obligations under the TRIPS Agreement.<sup>28</sup> It appears to New Zealand that the European Communities is effectively admitting that requiring nationals of WTO Members to follow the procedures set out in Article 12(1) and 12(3) of the EC Regulation would be contrary to its WTO obligations. However, in New Zealand's view there are sufficient internal inconsistencies between the European Communities' novel interpretation and the wording of the EC Regulation to doubt whether any reliance can be placed on this interpretation of the EC Regulation in the future. The European Communities notes the distinctions made in Articles 12(b)(2)(a) and (b) and Article 12d(1) between "WTO countries" and "third countries" in support of its interpretation. It also states that the procedure provided for in Article 12(3) does not apply to WTO Members. New Zealand notes, however, that Article 12a is prefaced with the phrase "[i]n the case provided for in Article 12(3)". If Article 12(3) does not apply to WTO Members then, based on the European Communities' own arguments, Article 12(a) would not apply to WTO Members. Taken to its logical conclusion, therefore, the European Communities' argument would

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<sup>25</sup> Appellate Body Report on *US – Section 211 Appropriations Act*, para. 241.

<sup>26</sup> European Communities' first written submission, para. 65.

<sup>27</sup> European Communities' first written submission, para. 66.

<sup>28</sup> European Communities' first written submission, para. 65.



mean that there is in fact no application procedure in the EC Regulation under which a national of a WTO Member could apply for GI protection. In that case the Panel must find that the European Communities is in breach of its national treatment obligations under the TRIPS Agreement and GATT 1994 by failing to provide a WTO-consistent application procedure for GI registration for WTO Members. New Zealand does not believe that the European Communities would agree with this consequence of its interpretation. New Zealand notes that this is the first time this interpretation has been raised, despite numerous consultations on the EC Regulation, including under the DSU. As the Appellate Body has indicated, all parties engaged in dispute settlement under the DSU should be fully forthcoming with respect to the facts, and consultations "do much to shape the substance and the scope of subsequent panel proceedings."<sup>29</sup>

128. Essentially, the European Communities' argument that Article 12(1) and 12(3) of the EC Regulation do not apply to WTO Members rests on the claim that the Regulation will indeed be interpreted in the manner the European Communities suggests, that is, in a WTO consistent manner. But the European Communities can offer no basis for assuring WTO Members that this will be so. The European Communities' position is even less credible where the interpretation that the European Communities puts forward is one that is not suggested by the ordinary meaning of the text of the EC Regulation. The alternative interpretation, and one which is consistent with the wording of the EC Regulation, is that adopted by the complainants, namely that Article 12(1) and (3) apply to WTO Members.

(c) Article 2.1 of the TRIPS Agreement (incorporating Article 2(1) of the Paris Convention) and Article 3.1 of the TRIPS Agreement

(i) *The EC is obliged to provide no less favourable treatment to other WTO Member nationals than it does to EC nationals*

129. Article 2.1 of the TRIPS Agreement requires WTO members to comply with, *inter alia*, Article 2(1) of the Paris Convention. The European Communities is therefore obliged to provide nationals of other WTO Members with "the same protection" as provided to foreign nationals. It is also required to accord to nationals of other WTO Members "treatment no less favourable than that it accords to its own nationals with regard to the protection of intellectual property" under Article 3.1 of the TRIPS Agreement. There are three essential components of the national treatment obligation under Articles 2.1 and 3.1 of the TRIPS Agreement. First, it is the treatment received by "nationals" that is key. Second, the standard for comparison with the treatment received by foreign nationals is the most favourable treatment received by domestic nationals. Third, foreign nationals must receive no less favourable treatment than that accorded to nationals.

130. The national treatment obligations in the TRIPS Agreement are owed to nationals, that is, natural or legal persons (see Article 1.3). In the context of the present case, this means that the standard for comparison is simply with EC nationals, since all EC nationals are potentially eligible to apply for GI registration under the EC Regulation.

131. In the present case, the European Communities has raised a creative but nevertheless erroneous interpretation of "nationals" in an attempt to claim that its conditions for registration and objections do not breach its national treatment obligations. In particular, the European Communities claims that "the conditions and procedures contained in Regulation 2081/92 for the registration of geographical indications do not depend on nationality".<sup>30</sup> New Zealand submits that this interpretation of the national treatment obligation as applying to persons of a particular "nationality" cannot be correct. The WTO Agreements are to be interpreted according to the ordinary meaning of

<sup>29</sup> Appellate Body Report on *India – Patents (US)*, para. 94.

<sup>30</sup> European Communities' first written submission, para. 123.

the words in their context, and in light of their object and purpose (see Article 31(1) of the Vienna Convention on the Law of Treaties). In the context of the TRIPS Agreement the term "nationals" clearly has a geographical connotation. Support for this is gleaned from both the TRIPS Agreement and the Paris Convention (incorporated by reference into the TRIPS Agreement). Article 1.3 of the TRIPS Agreement provides that "[M]embers shall accord the treatment provided for in this Agreement to the nationals of other Members. In respect of the relevant intellectual property rights, the nationals of other Members shall be understood as those natural or legal persons *that would meet the criteria for eligibility for protection in the Paris Convention*" (emphasis added). One particular category of natural or legal persons that meet the criteria for eligibility for the same protection as nationals under the Paris Convention are those eligible under Article 3 [Same Treatment for Certain Categories of Persons as for Nationals of Countries of the Union] of the Paris Convention. This provides that "[n]ationals 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" (emphasis added). The Paris Convention therefore includes not only a "nationality" element to the national treatment obligation, but also includes a "geographical" element relating to the person's place of domicile or establishment. This is further supported by footnote 1 to Article 1.3 of the TRIPS Agreement which also adopts a geographical element to the term "nationals" when used in the relation to separate customs territories.

132. In the geographical context of GIs, therefore, the term "nationals" includes not only natural or legal persons of a particular nationality, but also those who are domiciled or who have a real and effective industrial or commercial establishment in a particular WTO Member. Those legal or natural persons who are domiciled or have an establishment in the third country to which the GI relates are therefore "non-EC nationals" for the purpose of the national treatment obligation under the TRIPS Agreement. As a consequence of its erroneous interpretation of "nationals", the European Communities asserts that it is the area where the GI is located that determines which procedure under the EC Regulation applies in a given case, not the "nationality" of the producers of the product concerned. Therefore, it claims there is no breach of the national treatment obligations. If this argument were correct, it would mean that even if a Regulation provided that only EC GIs could be registered, there would be no violation of the national treatment obligation because in theory the nationals of any country could live in the European Communities and register their GIs. This would gut the TRIPS Agreement of the national treatment obligation with respect to GIs. In any case, the EC Regulation as drafted does not support the European Communities assertion. In particular, New Zealand submits that the plain meaning of the words "a group or a natural or legal person ... in a third country" in Article 12a of the EC Regulation is that all persons domiciled or with a real and effective industrial or commercial establishment outside of the European Communities are subject to the procedure in Article 12a of the EC Regulation (provided that the requirements of Article 12(3) have been met). So a person's location is indeed relevant to which application process applies. The EC Regulation, therefore, adopts two different registration procedures – one for EC nationals in respect of GIs located in the EC; and one for nationals "in a third country". The European Communities is obliged by its national treatment obligations to provide a no less favourable application process for nationals "in a third country" than it does for EC nationals.

133. New Zealand supports the complainants arguments that a WTO Member cannot require reciprocity of a higher standard of treatment than that required by the TRIPS Agreement before the right to that higher standard accrues under national treatment. To do otherwise would in effect result in a WTO Member being able secure concessions that it was unable achieve at the negotiating table.

134. In determining whether a particular measure violates the national treatment obligation, a first line of inquiry is whether there is a difference in treatment in the applicable laws. A difference in

applicable law, by itself, is not sufficient to constitute a breach of national treatment.<sup>31</sup> It must be demonstrated that "less favourable treatment" or some disadvantage accruing to the foreign national as a consequence of the difference in treatment has occurred.<sup>32</sup> In terms of what may amount to a disadvantage, the Appellate Body has found that subjecting foreigners to additional procedures constitutes a breach of national treatment. The Appellate Body in *US – Section 211 Appropriations Act* concluded that "even the *possibility* that non-United States successors-in-interest face two hurdles is *inherently less favourable* than the undisputed fact that United States successors-in-interest face only one".<sup>33</sup> Thus an "extra hurdle" faced by foreigners constitutes "less favourable treatment" under Article 3.1 of the TRIPS Agreement. Further, whether or not "less favourable treatment" is accorded to nationals should be assessed "by examining whether a measure modifies the *conditions of competition* in the relevant market".<sup>34</sup> In other words, treatment no less favourable in Article III:4 of GATT 1994 calls for "effective equality of opportunities".<sup>35</sup>

(ii) *Registration procedure provides less favourable treatment to WTO Member nationals*

135. The complainants have demonstrated that nationals from WTO Members are subject to different registration procedures from those applying to EC nationals. New Zealand has summarized the differences between the registration processes applicable to the European Communities and WTO Member applications.<sup>36</sup> The particular difference at issue between the two registration procedures is the requirements of equivalence and reciprocity in Article 12(1) of the EC Regulation (this argument takes as its premise the fact that Article 12(1) and 12(3) of the EC Regulation apply to WTO Members.). Further, while the requirement to submit all applications through government applies equally to applications from the European Communities and WTO Member nationals, its effect is to disadvantage nationals from WTO Members.

136. New Zealand submits that the effects of the differences in registration process mean that, at worst, the benefits of registration are entirely unavailable to producers from countries outside the European Communities. Indeed, New Zealand is not aware of any successful registration applications from nationals from WTO Members made under the process set out in the EC Regulation, whereas there have been more than 600 successful applications for registration of EC GIs. At best, WTO Member nationals are subject to "extra hurdles" and are as a consequence, disadvantaged under the EC Regulation when compared to EC nationals. An "extra hurdle" exists for WTO Member nationals if WTO Members are required to comply with the equivalence and reciprocity requirements in the EC Regulation. The complainants have shown that before a WTO Member national is eligible to apply for protection under Article 12(1) of EC Regulation, the country of origin of that national must grant *reciprocal* treatment for EC GIs under an *equivalent* system.

137. Not only are these requirements for reciprocity and equivalence a breach in and of themselves of the national treatment obligations, but they also mean that WTO Member nationals do not have the same opportunities to protect their GIs through registration as do EC nationals. In such case, an individual's right to apply for registration under the EC Regulation is conditioned on factors over which the applicant has no control, in other words, whether the applicant's government applies reciprocal and equivalent treatment. New Zealand notes that applications for registration under the EC Regulation are to be submitted by governments, rather than by individuals (Articles 5(5) and 12a(2) of the EC Regulation). The European Communities claims that the "rules relating to the

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<sup>31</sup> See the GATT Panel Report on *US – Section 337*, cited by the Appellate Body in *US – Section 211 Appropriations Act*, at para. 261.

<sup>32</sup> See the Appellate Body Report on *Korea – Various Measures on Beef*, at para. 135.

<sup>33</sup> Appellate Body Report on *US – Section 211 Appropriations Act*, para. 265.

<sup>34</sup> Appellate Body Report on *Korea – Various Measures on Beef*, para. 137.

<sup>35</sup> GATT Panel Report on *US – Section 337*, para. 5.11.

<sup>36</sup> See Exhibit NZ-1 reproduced at the end of this Annex.

registration of such geographical indications from outside the EC ... closely parallel the provisions applicable to geographical indications from inside the EC".<sup>37</sup> It is worth recalling, however, that a breach of national treatment may arise from the application of formally identical laws.<sup>38</sup> New Zealand argues that in this case "formally identical legal provisions" (or closely parallel legal provisions) in the EC Regulation do indeed result in less favourable treatment for WTO Member nationals. EC nationals have an enforceable right that applications that satisfy the requirements of the regulation are forwarded to the Commission. This right exists by virtue of Article 5(6) of the EC Regulation. Thus, for an EC national, submission via their member State government becomes essentially a formality. Failure to submit an application may be judiciable according to the member States' applicable national laws. WTO Member nationals have no such enforceable right to ensure that submission occurs. Thus, WTO Member nationals face significant "extra hurdles" in order to obtain protection for their GIs under the EC Regulation and are thus accorded less favourable treatment than an EC national. Furthermore, the Panel should find that the European Communities is in breach of its national treatment obligations by conditioning the receipt of intellectual property protection on provision of reciprocal equivalent treatment.

138. For producers able to register a GI under the EC Regulation, registration grants certain advantages, including: (i) being able to protect GIs from certain conduct set out in Article 13(1) of the EC Regulation; (ii) being able to prevent the GI term from becoming generic under Article 13(3) of the EC Regulation; (iii) being able to obtain such protection of GIs on a Community wide basis; and (iv) according to the EC Regulation's preamble, being able to secure higher incomes as a result of "a growing demand for agricultural products or foodstuffs with an identifiable geographical origin". Accordingly, not being able to register GIs under the EC Regulation results in commercial disadvantage for WTO Member nationals. They are unable to obtain the same level of protection on a Community-wide level as EC nationals and are unable to "secure higher incomes", as claimed by the European Communities to be a consequence of their GI protection. Thus the conditions of competition faced by WTO Member nationals are modified by the operation of the EC Regulation. As a consequence, the EC Regulation effectively operates as a barrier to trade.

*(iii) Objections procedure provides less favourable treatment to WTO Member nationals*

139. As stated in its preamble, the EC Regulation also provides an objection procedure to enable "any person individually and directly concerned in a member State to exercise his rights by notifying the Commission of his opposition". The objection procedure can potentially result in an application for registration but not for a proceeding. Consequently, not having the right to object is a loss of a valuable right in the arsenal of a producer to protect his or her commercial interests or intellectual property rights. The complainants have demonstrated that nationals from WTO countries are subject to different objection processes from EC nationals. New Zealand has summarized and compared the applicable objection procedures.<sup>39</sup> The process for objections from WTO nationals suffers from the same shortcomings as the process for registrations: namely, objections are subject to reciprocity and equivalence requirements and must be submitted through governments.

140. The European Communities has, however, asserted that the requirements for reciprocity and equivalence do not apply to WTO Members and thus are not preconditions for the admissibility of objections from WTO Members. In particular, the European Communities has argued that "[t]he phrase [in Article 12d(1) 'recognised under the procedure provided for in Article 12(3)'] only refers to third countries other than WTO Members".<sup>40</sup> As has been indicated earlier, New Zealand finds the above argument unconvincing. Such an intention (to refer to third countries other than WTO

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<sup>37</sup> European Communities' first written submission, para. 62.

<sup>38</sup> See the GATT Panel Report on *US – Section 337*, para. 5.11.

<sup>39</sup> See Exhibit NZ-2 reproduced at the end of this Annex.

<sup>40</sup> European Communities' first written submission para. 74.

Members) is not clear from the language of the EC Regulation. The fact that the rest of the EC Regulation and, in particular, the application procedure under Articles 12 and 12a, fail to explicitly distinguish between WTO Members and third countries suggests that there is in fact no such distinction. The distinction could have been made clear in Article 12d(1) by inserting a comma or words in the phrase to make it apparent that the procedures provided for in Article 12(3) apply only to third countries and not to WTO Members. However, no such distinction is apparent from the face of the EC Regulation. Therefore the conclusion must be drawn that the EC Regulation requires both WTO Members and third countries to be recognized under the Article 12(3). New Zealand submits that the complainants' interpretation of Article 12d(1) is the correct interpretation. WTO Members are required by the EC Regulation to provide equivalent and reciprocal treatment as a precondition to the initiation of the objection procedure by their nationals. Accordingly, the objection procedure breaches the European Communities' national treatment obligations for the same reasons that the registration procedure does. The effect of the differences in objection processes means that, at best, WTO Member nationals are disadvantaged under the EC Regulation when compared to EC nationals. At worst, the benefits of the right to object are entirely unavailable to producers from countries outside the European Communities. As a result, the European Communities has in place a system that virtually guarantees no objections will be received from WTO Member nationals to applications for the registration of EC GIs.

(d) GATT 1994

(i) *The EC Regulation is inconsistent with Article III:4*

141. New Zealand considers that the complainants have demonstrated that all three elements constituting a violation of Article III:4 of GATT 1994 have been satisfied.<sup>41</sup> First, the European Communities agrees that the EC Regulation is a measure affecting the internal sale of products. Second, the European Communities appears not to raise concerns about whether the products at issue must be "like products." New Zealand notes, in any case, that the United States is correct that for measures of general application the issue is whether the measure makes distinctions between products based solely on origin, rather than whether particular traded products are "like". It follows that the only issue under debate is whether the EC Regulation confers "less favourable treatment" on imported products. As the phrase "less favourable treatment" is the same as that used in Article 3.1 of the TRIPS Agreement, all arguments raised by New Zealand under Articles 2.1 and 3.1 of the TRIPS Agreement apply equally to Article III:4 of GATT 1994 and demonstrate that the EC Regulation also breaches Article III:4 of GATT 1994.

(ii) *The EC Regulation cannot be justified under Article XX(d)*

142. The European Communities has also claimed that the measure is justified under Article XX(d) of GATT 1994. In particular, the European Communities claims that "the requirements at issue are *necessary* in order to ensure that only those products which conform to the definition of geographical indications contained in Article 2(2) of Regulation 2081/92, which is itself fully consistent with GATT 1994, benefit from the protection afforded to geographical indications by Regulation 2081/92" (emphasis added).<sup>42</sup> New Zealand agrees with the United States that the European Communities' claim cannot be sustained. Whether a measure is "necessary" is assessed against the high standard of whether the measure is the "least-trade restrictive" option available to the party. Hence, if another WTO-consistent alternative can be employed, then a measure will not be justified under Article XX(d).

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<sup>41</sup> See the Appellate Body Report on *Korea – Various Measures on Beef*, para. 133.

<sup>42</sup> European Communities' first written submission, para. 226.

143. The European Communities claims that it is necessary for all applications to be submitted through government "to ensure that only those products which confirm to the definition of geographical indications contained in Article 2(2) of the EC Regulation ... benefit from the protection afforded to geographical indications". Given that the European Communities itself conducts a six-month investigation into precisely the issue of whether the products conform to the definition of a GI (that is, as set out in the product specification required under Article 4 of the EC Regulation), New Zealand submits that it is not necessary for applications to be passed through a government filter. The European Communities provides no claim with respect to the necessity of reciprocity and equivalence requirements imposed on non-EC products. Further, this claim does not apply to objection procedures, which are also transmitted through governments. New Zealand therefore submits that the EC Regulation cannot be justified on the basis of Article XX(d) of GATT 1994. The Panel should find that the EC Regulation violates Article III:4 of GATT 1994 as well as Articles 2.1 and 3.1 of the TRIPS Agreement.

### **3. The EC Regulation is inconsistent with Article 22.2 of the TRIPS Agreement**

144. Article 22.2 of the TRIPS Agreement provides a negative right, or a right to prevent certain actions, rather than a positive right, such as a right to authorize use. Consequently, it is an important legal right for "interested parties" to ensure appropriate use of geographical indications. The complainants have demonstrated that the European Communities has failed to provide this right to nationals of WTO Members by requiring reciprocity and equivalence as preconditions to admissibility of registration applications and objections, and by requiring that all applications be submitted through government. New Zealand raises three points to support the complainants' views.

145. First, New Zealand submits that the phrase "legal means" is used to indicate any laws, rules and regulations through which redress for misleading uses and acts of unfair competition "in respect of geographical indications" can be obtained. Various models of legal means are envisaged under Article 22.2 of the TRIPS Agreement, consistent with the principle that WTO Members are free to determine the most appropriate method of implementation within their own legal system and practices (see Article 1.1 of the TRIPS Agreement). For GI users, registration of their GI under the EC Regulation provides the legal means to prevent a range of uses, including misleading uses and acts of unfair competition under Article 22.2 (see Article 13(1) of the EC Regulation). Once a GI has been registered under the EC Regulation, persons affected by use of that GI have extremely limited options to challenge the use of that registered GI. Indeed, they have no such options under the EC Regulation itself for only repeated failure to comply with the product specification or a request for cancellation by the natural or legal person or group authorized to seek cancellation may result in the registration being cancelled. Thus the right to object to an application for registration of a GI prior to registration occurring is a crucial aspect of the legal means that the European Communities must provide under Article 22.2 of the TRIPS Agreement.

146. Second, New Zealand submits that "interested parties" is a broad term. "Interested" is defined as meaning "having an interest, share, or concern, in something; affected, involved".<sup>43</sup> "Parties" encompasses any legal or natural person, or group of legal or natural persons. In the context of the TRIPS Agreement, "interested parties" has a broad meaning and includes persons with an interest in, or affected by, a GI. The term "interested parties" can be contrasted with specific terms used in other provisions which confer rights on particular groups of people. For example, when setting out the particular rights accruing to persons that have registered a trademark, Article 16.1 of the TRIPS Agreement refers specifically to "the owner of a registered trademark". Likewise, Section 1 of Part II of the TRIPS Agreement refers to "authors" in Article 11, "right holders" in Article 13, and "performers" and "producers of phonograms" in Article 14. The European Communities claims that Article 22.2 "cannot be invoked by a trademark right holder in order to prevent the use of a

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<sup>43</sup> *The New Shorter Oxford English Dictionary*, (4<sup>th</sup> edition, 1993), Vol. 1, p.1393.

geographical indication which supposedly infringes its trademark right".<sup>44</sup> This assertion reveals the European Communities' particular bias toward systems of GI protection analogous to its registration model. It fails to acknowledge that WTO Members implement their obligations on GIs under the TRIPS Agreement in a variety of ways, including for example through collective and certification trademarks. Some trademark owners clearly do have a concern or are affected by use of geographical indications. A trademark holder can, and should in particular circumstances, be able to defend use of a trademark under Article 22.2 of the TRIPS Agreement. The European Communities' narrow interpretation of the phrase "interested parties" in Article 22.2 of the TRIPS Agreement cannot be justified.

147. Third, New Zealand submits that the obligation in Article 22.2 to provide a legal means to prevent misleading uses or acts of unfair competition must be read together with the other provisions of the TRIPS Agreement, including in particular the national treatment obligations in Articles 2.1 and 3.1 of the TRIPS Agreement. Thus the European Communities is obliged to provide "the same protection" or "the same legal means" to WTO nationals as it does to EC nationals. The European Communities has argued that there are other means of preventing the acts mentioned in Article 22.2 of the TRIPS Agreement available in the European Communities. However, in failing to provide the opportunity for WTO nationals to register under the EC Regulation at the centre of the present dispute, the European Communities fails to provide the same legal means to WTO nationals as it has to the more than 600 GI users in the European Communities that have had their GIs registered.

#### **4. The EC Regulation is inconsistent with Article 16.1 of the TRIPS Agreement**

148. The European Communities is obliged under Article 16.1 of the TRIPS Agreement to give owners of registered trademarks the "exclusive right" to prevent confusing uses of similar or identical signs by "all third parties". This right recognises the utility of trademarks to their owners as marketing tools. While Article 16.1 of the TRIPS Agreement provides an "exclusive right" to registered trademark owners, this is not an *absolute* right to prevent all use of the sign by other parties. The right is subject to certain limitations explicitly set out in the TRIPS Agreement in the same way that the rights to GI protection in Articles 22.2 and 22.3 are also explicitly limited by the terms of Articles 22 and 24 of the TRIPS Agreement. In any given case, for example, a registered trademark owner bringing an infringement claim against a GI user might not succeed under the requirements of Article 16.1 of the TRIPS Agreement. The trademark owner may fail to prove that the GI is identical or similar to the trademark; or that the use of the sign is in respect of goods that are identical or similar; or that use of the GI would result in a likelihood of confusion. Alternatively, the GI user may successfully argue in defence that the trademark misleads the public as to the true place of origin of the goods and should therefore be invalidated under the national law implementing Article 22.3 of the TRIPS Agreement. Article 16.1 does, however, guarantee the entitlement of a trademark owner, whether a national of the European Communities or another WTO Member, to a "day in court" to argue his or her rights against *all* third parties.

##### **(a) Relationship between Articles 16.1 and 22.2 of the TRIPS Agreement**

149. New Zealand agrees with the observations of Australia and the United States regarding the relationship between Articles 16.1 and 22.2 of the TRIPS Agreement. Despite appearances of a conflict between the two rights on the face of both provisions due to the "exclusivity" of the rights they both accord, there is a presumption of consistency between international obligations.<sup>45</sup> Further, any exception to an obligation must be explicit in the text of an Agreement.<sup>46</sup> The rights in Articles 16.1 and 22.2 of the TRIPS Agreement must therefore be balanced – each must be read to the

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<sup>44</sup> European Communities' first written submission, para. 412.

<sup>45</sup> See the Panel Report on *Indonesia – Autos*, para. 14.28.

<sup>46</sup> See the Appellate Body Report on *EC – Sardines*, paras. 201-208.

fullest extent permissible under the text of the relevant provisions without conflicting with the other right. In other words, the protection of one right cannot be enhanced at the expense of the other. Where the negotiators intended a conflict between two rights to be resolved by compromising this exclusivity, they specifically provided for this in the TRIPS Agreement. Article 24.5 of the TRIPS Agreement is one example of this. In all other cases, upholding the rights granted in both Article 16.1 for trademarks and Article 22.2 for geographical indications is required. To the extent that the EC Regulation compromises the exclusive rights guaranteed to registered trademark owners in ways not foreseen by the TRIPS Agreement, it is inconsistent with Article 16.1 of the TRIPS Agreement.

(b) The EC Regulation is inconsistent with Article 16.1 of the TRIPS Agreement

150. New Zealand agrees with the complainants that the EC Regulation violates Article 16.1 of the TRIPS Agreement. New Zealand addresses three aspects of the EC Regulation in particular that violate Article 16.1 of the TRIPS Agreement, namely Articles 14(2), 14(3) and 7(4) of the EC Regulation.

151. Article 14(2) of the EC Regulation provides that use of a prior registered trademark that engenders one of the situations prevented by Article 13 of the EC Regulation "may continue notwithstanding the registration" of a GI. The effect of this provision is that under the EC Regulation a registered trademark and a registered GI can "co-exist" despite the existence of a likelihood of confusion between the two. The United States is correct in pointing out that under Article 14(2) of the EC Regulation the best that the owner of a valid prior registered trademark can hope for is the ability to continue using his or her trademark, but without the ability to exclude all others from using a confusingly identical or similar GI. In effect, Article 14(2) of the EC Regulation excludes registered GI users from the scope of the group of "all parties" against whom the owner of a prior registered trademark owner should be entitled under Article 16.1 of the TRIPS Agreement to defend the trademark. This is inconsistent with the exclusive rights of the trademark owner under Article 16.1 of the TRIPS Agreement.

152. Article 14(3) of the EC Regulation provides for an exception to the presumption of coexistence of prior registered trademarks and registered GIs in Article 14(2) of the EC Regulation, taking into account the "reputation, renown and the length of time trademark has been in use". However, just as there is no basis for coexistence under Article 14(3), there is no basis in Article 16.1 of the TRIPS Agreement for conditioning a prior registered trademark owner's right to prevent misleading use on such factors. New Zealand agrees with the United States that the exclusive right in Article 16.1 to prevent confusing use is not limited to owners of trademarks that are longstanding, renowned or reputable. Rather, it is an exclusive right that must be provided to all owners of valid prior registered trademarks, irrespective of how long the trademark has been used, or its reputation and renown.

153. Article 7(4) of the EC Regulation provides the criteria by which the admissibility of a statement of objection to an application for registration of a GI is judged. The criteria in Article 7(4) of the EC Regulation apply to objections from nationals of the European Communities, as well as from nationals of WTO members by virtue of Article 12d(2) of the EC Regulation. One such criterion of admissibility is if the objection "shows that the proposed registration of a name would *jeopardise the existence* of an entirely or partly identical name or of a mark..." (Article 7(4) of the EC Regulation). If the proposed GI registration is identical to the prior registered trademark, however, under Article 16.1 of the TRIPS Agreement there is a presumption of confusion and the trademark owner should have the right to prevent the use of the GI. Consequently, New Zealand agrees with the arguments by Australia that the EC Regulation breaches Article 16.1 of the TRIPS Agreement because the owner of the registered trademark may not be able to successfully object to a proposed GI even if its use would constitute use of an identical or similar sign that would result in a likelihood of confusion.



(i) *Article 24.5 of the TRIPS Agreement does not permit "coexistence"*

154. The European Communities relies on Article 24.5 of the TRIPS Agreement as envisaging coexistence of GIs and earlier trademarks. The European Communities adopts a flawed interpretation as the basis for its argument that coexistence of GIs and earlier trademarks is envisaged under Article 24.5 of the TRIPS Agreement. It argues that Article 24.5 distinguishes the "right to use" a trademark, which may not be prejudiced, from the right to prevent others from using the trademark sign, which may be prejudiced. New Zealand submits that this interpretation is incorrect for two reasons.

155. First, the purpose of Article 24.5 is to prevent the implementation of new forms of intellectual property resulting from the negotiations of the TRIPS Agreement from prejudicing rights to intellectual property legitimately acquired prior to the entry into force of the TRIPS Agreement. Trademark owners who had registered a trademark or acquired rights to a trademark through use had the rights both to use and to prevent others from using their trademarks prior to the entry into force of the TRIPS Agreement. New Zealand contends that the TRIPS Agreement was not intended to detrimentally affect the private rights of individuals by removing trademark owners' entitlement to prevent all third parties from using their trademark where its existence pre-dated the TRIPS Agreement.

156. Second, Article 24.5 covers trademark rights acquired by registration as well as trademark rights acquired by use. The rights protected under Article 24.5 are dealt with separately. Thus "where a trademark has been applied for or registered in good faith" GI protection measures "shall not prejudice eligibility for or the validity of the registration of a trademark". And "where rights to a trademark have been acquired through use in good faith" GI protection measures "shall not prejudice the right to use a trademark".

157. The European Communities' reading of Article 24.5 confuses the two concepts of registration and use. It suggests that registered trademarks retain the right to use as well as rights to the continued eligibility for or validity of registration. If this reading were correct, the corollary would also be true, namely that trademark rights acquired by use would continue to be eligible for registration, despite the owner not having submitted an application for registration prior to the entry into force of the TRIPS Agreement. As the purpose of Article 24.5 is to protect private rights existing immediately prior to the entry into force of the TRIPS Agreement, it is clear that it was not intended that unregistered trademark owners would gain the right to registration through use, despite having failed to safeguard their rights through registration prior to the entry into force of the TRIPS Agreement. Thus New Zealand agrees with the complainants that Article 24.5 of the TRIPS Agreement does not permit coexistence of "grandfathered" trademarks and GI registrations.

(ii) *The EC is not required to maintain coexistence on the basis of Article 24.3 of the TRIPS Agreement*

158. The European Communities goes on to argue that, irrespective of whether coexistence of geographical indications is consistent with Article 24.5, it is required to maintain coexistence under Article 24.3 of the TRIPS Agreement. The purpose of this Article appears to be the same as Article 24.5, namely to prevent the entry into force of the TRIPS Agreement from detrimentally affecting the private rights of individuals. However, despite the EC Regulation having entered into force on 14 July 1993, the first registration of a geographical indication under the regulation did not occur until after the entry into force of the TRIPS Agreement on 1 January 1995. So while the EC Regulation provided for coexistence prior to the entry into force of the TRIPS Agreement, in fact the EC Regulation conferred no rights to individuals at that time. In any case, New Zealand submits that the phrase "[i]n implementing this Section" that prefaces Article 24.3 does not justify a breach of other sections of the TRIPS Agreement, including Section 2 on trademarks.

(iii) *Coexistence is not a limited exception under Article 17 of the TRIPS Agreement*

159. The European Communities also argues in the alternative that coexistence is justified as a "limited exception to the rights conferred by a trademark" under Article 17 of the TRIPS Agreement. In New Zealand's view the exclusion of an entire group of producers from the parties which a registered trademark owner has the right to prevent from using an identical or similar mark in confusing manner is not a "limited exception". Rather, it is a major exception to the rights granted to a registered trademark owner.

**5. Points raised in response to the Panel's questions**

160. New Zealand has not received any registration applications or objections to registrations pursuant to the EC Regulation from persons or groups in its territory. New Zealand notes that its Government and potential New Zealand applicants and objectors understood the EC Regulation to mean that no applications or objections would be accepted or considered by the European Communities without New Zealand meeting the reciprocity and equivalence requirements. As to the question of what would be New Zealand's position if such filing was to occur, New Zealand notes that this is a hypothetical question and it is difficult to answer in the abstract. Despite no formal procedure for the transmission of applications for registration or objections to registration under the EC Regulation existing in New Zealand, New Zealand would consider any registration or objection submitted to New Zealand authorities on a case-by-case basis. In any event, the issue before the Panel is the consistency of the EC Regulation with the WTO Agreements, not whether other WTO Members would comply with the requirements of a WTO-inconsistent measure.

161. New Zealand provides the legal means for the protection of geographical indications, as required by Article 22 of the TRIPS Agreement, through its trademarks legislation (including collective trademarks and certification trademarks), and through consumer protection law (Fair Trading Act, common law tort of passing off). These legal means are available to all interested parties irrespective of nationality. A geographical indication (that meets the requirements for registration) may be registered as a trademark through applying, including via the internet, directly to the Intellectual Property Office of New Zealand. An interested party may also apply directly to the Intellectual Property Office to oppose or seek invalidation of the registration of a trademark. For geographical indications other than those registered as trademarks, nationals of any country may take action in New Zealand courts to enforce their rights under the Fair Trading Act 1986, and the common law tort of "passing off". The New Zealand Parliament has enacted a Geographical Indications Act, but this is not in force.

162. New Zealand submits that, by virtue of Article 2.1 of the TRIPS Agreement, all WTO Members must comply with Article 2(1) of the Paris Convention. All WTO Members are therefore "countries of the Union" for the purposes of that Article of the Paris Convention as incorporated in the TRIPS Agreement.

163. New Zealand submits that Article 22.1 of the TRIPS Agreement defines geographical indications as indications that "identify a good as originating in the territory of a Member, or a region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin". By definition, therefore, a geographical indication must relate to a particular good. As a consequence, the indication and the good are inextricably linked. The EC Regulation claims that commercial benefits are conferred on goods or products bearing a registered geographical indication. In other words, it claims that the conditions of sale are positively affected by the products bearing registered geographical indications. As a result of the different treatment accorded to EC nationals and nationals of WTO Members, only products bearing a registered EC geographical indication have the opportunity to obtain any commercial benefits which are claimed by the European Communities to ensue from protection under the EC Regulation. The

foreign like product does not have this opportunity and therefore receives less favourable treatment. New Zealand considers that evidence of disadvantages accorded to foreigners in applying for and objecting to protection of particular geographical indications is relevant to whether like products receive less favourable treatment.

164. Under New Zealand's trademark legislation, a trademark (including a geographical indication for which registration as a trademark has been sought) that would otherwise be considered identical or similar to a registered trademark may be registered if: (i) the owner of the registered trademark consents to the registration of the later filed trademark; or (ii) the Commissioner of Trade Marks (or Court) considers that a case of honest concurrent use exists or other special circumstances exist, which makes it proper for the trademark to be registered. In making such a determination, the Commissioner of Trade Marks (or Court) will have regard to, *inter alia*, whether confusion is likely to occur, the degree of that confusion, and whether any confusion has in fact been proved. A registered trademark may be used for the purpose of comparative advertising provided that the mark is used in accordance with honest practices in industrial or commercial matters. Use of a sign (including a geographical indication) will not amount to infringement of a registered trademark if, in accordance with honest practices in industrial or commercial matters, the sign is used to indicate, *inter alia*, a person's name, place of business, or the kind, quality, geographical origin or other characteristic of the goods or services. If the use of the trademark is misleading or is likely to cause confusion then its use is unlikely to be considered "in accordance with honest practices"

165. In New Zealand, the concurrent use of geographical indications with prior trademarks would not be permitted where this would result in a breach of the Trade Marks Act, the Fair Trading Act or the common law tort of "passing off". Confusion is relevant to all three causes of action. Infringement proceedings may be taken under the Trade Marks Act (section 89) for use of a sign that is identical or similar to a registered trademark where such use would be likely to deceive or confuse (note, however that there is a presumption of infringement under the Trade Marks Act where a mark that is identical to a registered trademark is used in respect of identical goods). The Fair Trading Act (section 9) prohibits conduct in trade that is deceptive or misleading or likely to deceive or mislead, while passing off is aimed at preventing misrepresentation that can result from use of a confusingly similar mark. A geographical indication could not be protected as a registered trademark if its use would be likely to deceive or cause confusion, particularly with a prior registered mark (sections 17 and 25 of the Trade Marks Act).

166. New Zealand believes that the mandatory/discretionary distinction has limited application under the TRIPS Agreement. As indicated by the Appellate Body in *US – Section 211 Appropriations Act*, the characterization of legislation as mandatory or discretionary is not the only relevant inquiry for a panel.<sup>47</sup> Nor should a finding that the legislation is discretionary be conclusive as to whether a State has complied with WTO rules. In particular, the "extra hurdles" in the EC Regulation that disadvantage foreigners and breach national treatment apply regardless of whether or not that legislation is deemed "discretionary". Further, the granting of intellectual property rights necessarily involves the exercise of discretion, as does for example the initiation of anti-dumping investigations. The objectives of the TRIPS Agreement would be undermined if the European Communities can be excused from its TRIPS obligations on the basis that its implementing legislation is discretionary. New Zealand notes that obligations prohibiting certain action and obligations requiring certain action, whether in the TRIPS Agreement or in other WTO Agreements, are all binding and mandatory obligations upon WTO Members. Accordingly, New Zealand cannot see that WTO jurisprudence on the mandatory/discretionary distinction should apply differently depending on whether the obligations prohibit certain action, or require certain action.

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<sup>47</sup> See the Appellate Body Report on *US – Section 211 Appropriations Act*, para. 260.

# I. SEPARATE CUSTOMS TERRITORY OF TAIWAN, PENGHU, KINMEN AND MATSU

## 1. Introduction

167. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (hereinafter referred to as "Chinese Taipei") has a trade and systemic interest in the proper interpretation of the TRIPS Agreement, specifically, the national treatment requirements contained in the TRIPS Agreement and Paris Convention, the MFN requirement contained in the TRIPS Agreement, and in the relationship between geographical indications ("GIs") and trademarks.

## 2. National treatment

168. National treatment is a long-standing and fundamental obligation in the multilateral trading system. The European Communities completely ignores the fact that the protection of intellectual property plays a part in the national treatment provisions. By citing the specific paragraph in the Panel Report of *Indonesia – Autos* cautioning against reading extraneous obligations into a provision, the European Communities also seems to suggest that the protection of intellectual property rights is not in fact an objective of the TRIPS Agreement, and that one should not read the protection of intellectual property into Article 3.1 of the TRIPS Agreement. The drafters of Article 3.1 of the TRIPS Agreement and Article 2(1) of the Paris Convention recognize that, in the context of the protection of intellectual property, nationals and the intellectual property rights they hold cannot be divorced from each other. Conceptually, to grant national treatment to nationals who are not holders of intellectual property rights would be illogical. Similarly, intellectual property rights by themselves cannot enforce the requirement of national treatment without their attendant holder-nationals. The two national treatment provisions would simply be incomprehensible if the protection of intellectual property were taken out of the equation. Furthermore, Article 3.1 of the TRIPS Agreement and Article 2(1) of the Paris Convention do not specify the origin of the intellectual property being held by the "nationals". The focus of the national treatment provisions is on the nationals who have an intellectual property to register or the rights to enforce, not on the origin of the actual intellectual property. Be it domestic nationals holding domestic intellectual property rights, domestic nationals holding foreign intellectual property rights, foreign nationals holding domestic intellectual property rights, or foreign nationals holding foreign intellectual property rights, national treatment applies in all scenarios in the same manner.

169. In order to demonstrate how the TRIPS Agreement and Paris Convention national treatment obligations apply in this case, Chinese Taipei presents the following chart:

GI National	EC EC	1	GI National	Non EC EC	3
		2	GI National	Non EC Non EC	4

170. The four quadrants represent the four possible scenarios. The European Communities, focusing only on nationals in its interpretation, is essentially arguing that it can establish a separate set of rules for and discriminate against non-EC GIs as it wishes. To the European Communities, quadrants 1 and 2 are completely independent from quadrants 3 and 4. As long as the national in quadrant 2 is treated no less favourably than the national in quadrant 1, and the national in quadrant 4 is treated no less favourably than the national in quadrant 3, the national treatment obligation, according to the European Communities, is satisfied. However, as already presented above, there

exists two linked elements in the TRIPS Agreement and Paris Convention national treatment obligations, and the four quadrants need to be examined as a whole. This means that quadrants 2, 3, and 4 all cannot be treated less favourably than quadrant 1. Therefore, the Panel should examine, whether the EC Regulation results in any one of the quadrants 2, 3, or 4 being treated less favourably than quadrant 1. If even one of the quadrants is treated less favourably, the EC Regulation would be inconsistent with the national treatment obligations. Chinese Taipei agrees with the submissions of the United States and Australia in their analyses of how Article 12 of EC Regulation results in less favourable treatment being afforded to non-EC nationals. Since the scenarios in quadrant 2 and 3 in practice happen infrequently, it would suffice to examine only the consistency of the EC Regulation with regard to the scenario under quadrant 4. By applying the same arguments the two complainants made with regard to EC Regulation Article 12, the Panel would be able to see a blatant violation in the scenario represented by quadrant 4.

171. Chinese Taipei also agrees with the United States and Australia that Article 12.1 of the EC Regulation constitutes conditions on WTO Members in exchange for the recognition of GIs from non-EC sources. Such conditions violate Article 3.1 of the TRIPS Agreement and Article 2(1) of the Paris Convention. The European Communities conditions the protection of GIs, an explicit obligation under Article 22 of the TRIPS Agreement, on reciprocity and equivalence. Such requirements do not exist in Part II Section 3 of the TRIPS Agreement which deals with GIs nor anywhere else in the TRIPS Agreement as preconditions to implementing an explicit TRIPS Agreement obligation. Furthermore, Article 12.3 of the EC Regulation provides that, "[t]he Commission shall examine, at the request of the country concerned...whether a third country satisfies the equivalence conditions and offers guarantees within the meaning of paragraph 1 as a result of its national legislation". Therefore, even if a WTO Member deems its GI specifications, inspection arrangements, the right to object and protection of EC GIs to be equivalent, the European Communities still holds the final say on whether the equivalence conditions have been met. The European Communities has yet to give an indication as to what it considers to constitute "equivalence", but the existence of this requirement to gain approval from the Commission suggests that the standard for equivalence is high.

172. In essence, the European Communities is requiring other WTO Members to adopt a system of GI protection substantially similar to, if not the same as, the European Communities and be prepared to accept automatically all EC GIs. By requiring the reciprocity and equivalency conditions, the European Communities ignores the fact that the second sentence of Article 1.1 of the TRIPS Agreement provides that, "Members shall be free to determine the appropriate method of implementing the provisions of this Agreement within their own legal system and practice", and that Article 22 of the TRIPS Agreement does not specify any particular "legal means" for the protection of GIs. In this connection, Chinese Taipei agrees with the United States that the TRIPS Agreement recognizes more than one acceptable GI protection system. Moreover, reciprocity and equivalency may be better addressed in the context of bilateral or multilateral negotiations, should the European Communities wish to do so. But they cannot constitute conditions on the implementation of an explicit TRIPS Agreement obligation to provide national treatment to foreign producers with regard to intellectual property. Additionally, if a Member such as the European Communities believes that another Member is not granting the proper protection to GIs as stipulated in the TRIPS Agreement, the recourse is the WTO dispute settlement, not the denial of national treatment. As it is, these reciprocity and equivalence conditions are simply extra hurdles to be fulfilled by WTO Members before producers with GIs from their territories can gain protection from the European Communities. These extra hurdles constitute an additional burden on non-EC nationals seeking to register, and enforce non-EC GIs within the European Communities as compared to the requirements on EC nationals. Thus, the EC Regulation violates the national treatment provisions pursuant to Article 3.1 of the TRIPS Agreement and the Article 2(1) of the Paris Convention.

### 3. MFN treatment

173. Chinese Taipei also shares the view of the United States and Australia that, just as the EC Regulation violates the national treatment obligation under the TRIPS Agreement, the measure also violates the TRIPS Agreement MFN obligation. It should be noted, in light of the arguments presented above on national treatment, that the MFN obligation with regard to nationals should be viewed with respect to the protection of intellectual property, from the perspective of nationals holding intellectual property rights. Similarly, as with TRIPS and Paris Convention national treatment obligations, Article 4 cannot be interpreted as an obligation on nationals alone.

174. The chart presented in the context of national treatment above can be slightly modified to be applied here:

GI National	approved approved	1	GI National	not approved approved	3
		2			4
GI National	approved not approved		GI National	not approved not approved	

175. The above chart sets out how the MFN treatment comparison should be made. With regard to the protection of intellectual property, the MFN treatment in essence requires the Member in question to grant equal treatment to the nationals of all other Members. Therefore, the basic premise of this quadrant is that both the GI and the national are non-EC in origin (Chinese Taipei takes no position with regard to the issue raised by the complainants that the individual members of the European Communities who are also Members of the WTO should be viewed as separate non-EC Members of the WTO under MFN treatment). The term "national" in the table is used in the same manner as the word "nationals" in Article 4 of the TRIPS Agreement, but with the above premise in mind. The terms "approved" and "not approved" relate to the approval scheme in Articles 12(1) and 12(3) of the EC Regulation under which a third country GI may be protected within the European Communities after determination by the EC Commission that the "equivalence conditions" have been satisfied. "Approved" thus means that the GI or national originated from a WTO Member which has been deemed by the EC Commission to have satisfied the conditions set out in Article 12(1). On the other hand, "not approved" means that the GI or national originated from a WTO Member which has not been deemed by the EC Commission to have satisfied the conditions set out in the Article 12(1). The GI and the national may have different origins, hence the existence of quadrants 2 and 3.

176. Under the MFN treatment, the scenarios under quadrants 2, 3, and 4 must all receive the same treatment from European Communities as the treatment received by quadrant 1, or else the European Communities has violated the obligation. Having granted full protection under the EC Regulation to the nationals of an approved WTO Member holding GIs originating from the territories of that member, the European Communities cannot deny the same "advantage, favour, privilege or immunity" to the nationals of other WTO Members holding GIs originating from other territories. But this is exactly what EC Regulation does. Once again, quadrant 4 shows where the EC Regulation most blatantly violates the MFN treatment obligation.

### 4. Relationship between GIs and trademarks in the TRIPS Agreement

177. Unlike other types of intellectual property such as patents and copyrights, which tend to be independent concepts and manifest themselves in different forms, trademarks and GIs are closely related. The purpose of both is to inform consumers about the source and indirectly the quality of the

product. Because of this purpose, GIs and trademarks can and tend to manifest themselves in similar forms, i.e., as prominent and distinguishing signs. The close relationship between GIs and trademarks and the possible overlap in their physical manifestations and protection are recognized in the TRIPS Agreement. Articles 22.3, 23.2 and 24.5 directly address the relationship between GIs and trademarks. The rights are derived from the need to prevent consumers from being misled about the qualities of the product, and thus the provision in Article 16.1 for trademarks and Article 22.2 for GIs spelling out the extent of the rights.

178. However, the text of these two TRIPS provisions must be given their full scope in a manner that would not cause conflict. This is consistent with the established principle of international treaty interpretation, which requires that the "interpretation must give meaning and effect to all the terms of a treaty". Furthermore, "[a]n interpreter is not free to adopt a meaning that would result in whole clauses or paragraphs of a treaty to redundancy or inutility".<sup>48</sup> An interpretation or implementation of these two provisions that creates conflict would inevitably render one of the provisions inutile. Thus, the Panel in *Indonesia – Autos* concluded that, "in public international law there is a presumption against conflict".<sup>49</sup> However, the EC Regulation creates precisely such a conflict by allowing a later registered GI to be used alongside a prior trademark, even when such use has the potential of resulting in the likelihood of confusion on the part of the consumer. Thus, Article 14(2) of the Regulation negates the right of trademark owners contained in Article 16.1 of the TRIPS Agreement. Likewise, under Article 14(3) of the EC Regulation, a potential GI is only prevented from being registered if the trademark fulfils the conditions of reputation, renown, and length of time, the provision negates the right granted to trademark owners pursuant to Article 16.1 of the TRIPS Agreement. The result of the EC Regulation is the creation of a hierarchy between GIs and trademarks, when the two are equal under the TRIPS Agreement. GIs within the European Communities have a superior status than trademarks, and the protection of GIs is granted at the expense of trademarks. Such a hierarchy is simply not contemplated in the TRIPS Agreement.

## **5. Points raised in response to Panel's questions**

179. Chinese Taipei is not aware of any group or person ever having filed with its authorities either an application for, or an objection to, a registration pursuant to the EC Regulation. In any case, it does not believe that whether its Government is able and/or willing to transmit to the European Communities an application from persons interested in a GI or objection has any bearing on the issues in this dispute. Even if its Government is able and/or willing, the fact remains, that the TRIPS Agreement does not contain any obligation for Members to comply with an internal regulation of the European Communities. The European Communities is free to require its member States to do so, but to require WTO Members to transmit applications for registration or objections to registration when no such obligation exists in the TRIPS Agreement would be to create an additional hurdle for non-EC nationals who wish to register their GIs within the European Communities, thus violating Article 3.1 of the TRIPS Agreement and Article 2 of the Paris Convention.

180. Chinese Taipei's legislation protects trademarks and collective marks of foreign nationals in the same manner as that of domestic nationals, and nothing in its legislation prevents foreign nationals with a potential GI from applying for the registration of a trademark or collective mark.

181. Chinese Taipei believes that footnote 1 of the TRIPS Agreement is meant to apply the term "nationals" to separate customs territory Members of the WTO. The first clause of the footnote makes the application of the definition to the entire Agreement clear with the words "in this Agreement". The definition therefore applies to the European Communities, as a separate customs territory, with regard to Articles 3.1 and 4 of the TRIPS Agreement. There is no logical reason to believe that the

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<sup>48</sup> Appellate Body Report on *US – Gasoline*, DSR 1996:I, at 21.

<sup>49</sup> Panel Report on *Indonesia – Autos*, para. 14.28.

term "nationals" in Article 2 of the Paris Convention should be interpreted any differently from the TRIPS Agreement, with respect to the European Communities. It is established jurisprudence that Articles 1 through 12 and Article 19 of the Paris Convention are incorporated into the TRIPS Agreement. Article 3 of the TRIPS Agreement, which is the parallel provision to Article 2 of Paris Convention, makes explicit reference to the applicability of the exceptions in the Paris Convention. If key terms such as "nationals" are interpreted differently in the TRIPS Agreement and the Paris Convention, incorporation and direct applicability of certain provisions would be difficult, if not impossible. Therefore, unless there is an explicit reason to believe otherwise, the term "nationals" in Article 2 of the Paris Convention should be interpreted in the same manner as in the TRIPS Agreement.

182. Chinese Taipei understands that Articles 16.1 and 22.3 of the TRIPS Agreement do not, and should not be, interpreted to conflict. The established principle of international treaty interpretation requires that any interpretation shall give meaning and effect to all terms of a treaty. An interpretation that creates a conflict between two provisions would inevitably render one of the provisions inutile. The third sentence of Article 16.1 states that, "the rights described above shall not prejudice any existing prior rights". Therefore, the "exclusive right" granted to trademarks under Article 16.1 is dependent upon existing prior rights. Similarly, and in a parallel manner, the rights obtained pursuant to GI protection are curtailed by Article 24.5, where the right of a prior trademark owner, which is exclusive, is guaranteed. The combination of Articles 16.1, 22.3 and 24.5 establishes a protection scheme where a prior existing right, be it under trademark or GI, bars any later requests to register trademarks or GIs that would confuse or mislead the public. The EC Regulation creates a conflict between the protection of trademarks and GIs, when no such conflict exists, by disregarding the exclusive right of prior trademarks owners and favouring the right of GI owners. Such a hierarchy is not contemplated by the TRIPS Agreement.