

**Summary of the Report of the Panel (WT/DS174/R)
of March 15, 2005 regarding the
Complaint by the United States against the European Communities on the
Protection of Trademarks and Geographical Indications for Agricultural Products
and Foodstuffs**

Prepared by the United States Patent and Trademark Office

Executive Summary

On April 19, 2005, the WTO DSB ruled in favor of the United States that the EC's regulation on food-related geographical indications (GIs), EC Regulation 2081/92, is inconsistent with the EC's obligations under the TRIPS Agreement and the GATT 1994. This ruling results from the United States' long-standing complaint that the EC GI system discriminates against foreign products and persons -- notably by requiring that EC trading partners adopt an EC-style system of GI protection -- and provides insufficient protections to trademark owners. In the report adopted by the DSB, the WTO panel agreed that the EC's GI regulation impermissibly discriminates against non-EC products and persons. The panel also agreed with the United States that Europe could not, consistent with WTO rules, deny U.S. trademark owners their rights; it found that, under the regulation, any exceptions to trademark rights for the use of registered GIs were narrow, and limited to the actual GI name as registered. The panel recommended that the EC amend its GI regulation to come into compliance with its WTO obligations. The EC, the United States, and Australia (which pursued a parallel case) agreed that the EC would have until April 3, 2006, to implement the recommendations and rulings.

Statement of the Case

The United States challenged the European Communities (EC) Council Regulation (EEC) No. 2081/92 of 14 July 1992 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs, as amended, on two main grounds:

- (1) discrimination against foreign nationals and foreign products with respect to geographical indication protection, and
- (2) failure to protect foreign trademarks.

National Treatment

The principle of national treatment embodied in the World Trade Organization's (WTO) Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) requires

WTO Members to provide the same (or better) treatment of foreign nationals regarding intellectual property rights as provided to domestic nationals.¹

The United States brought the national treatment claim against the EC because foreign geographical indication (“GI”) owners do not have the same access as EC GI owners to the protections and benefits of the EC GI Regulation 2081/92 and thus are denied national treatment. This obvious feature of the EC GI Regulation is underscored by the fact that nearly 700 GIs have been registered under the EC Regulation and not one of them is a GI from a foreign country.²

EC Requires Foreign Government to Create Equivalent GI Systems and Provide Reciprocal Protection for Its GIs

Foreign GIs must meet certain conditions in order to get protection in the EC under 2081/92:

- 1) the foreign GI owner’s government must provide an equivalent system of GI protection domestically as the EU has for GIs in the European Communities (“equivalence”)³;
- 2) the foreign GI owner’s government must provide protection for the approximately 700 EC GIs in the foreign country through an equivalent system (“reciprocity”)⁴;
- 3) the foreign GI owner’s government must accept an application from the foreign GI holder, examine it for consistency with EC regulations, and then transmit the application to the EC and advocate or negotiate its acceptance (“government intervention”)⁵; and

¹ “Each Member shall accord to the nationals of other Members treatment no less favourable than that it accords to its own nationals with regard to the protection of intellectual property....” Article 3.1, World Trade Organization’s Agreement on Trade-Related Aspects of Intellectual Property Rights (1994).

² Report of the Panel on the Complaint by the United States against the European Communities on the Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs, March 15, 2005, WTO document WT/DS 174/R ¶ 7.139 (“The European Communities confirms that the Commission has not recognized any third countries [under Article 12(3) of the Regulation].”)

³ WT/DS174/R ¶ 7.63 (“The Commission shall examine, at the request of the country concerned, and in accordance with the procedure laid down in Article 15 whether a third country satisfies the equivalence conditions and offers guarantees within the meaning of paragraph 1 as a result of its national legislation,” quoting Article 12(3) of the EC Regulation 2081/92.)

⁴ WT/DS174/R ¶ 7.82 (“If a non-EU country introduced an equivalent system including the right of objection for the EU and the commitment to protect EU names on their territory, the EU would offer a specific protection to register their products for the EU market,” quoting EU press release IP/02/422 Brussels, 15 March 2002).

⁵ WT/DS174/R ¶ 7.268 (“...[A]ll applicants are required to submit their application to the authorities in the country in which the geographical area is located....the authorities who receive an application consider whether the application is justified or satisfies the requirements of the Regulation. This involves a detailed examination of the application in accordance with the criteria in the EC Regulation, not the domestic law of the country where the application is filed....if the authorities who receive an application consider that the application is justified or satisfies the requirement of the Regulation, they forward or transmit it to the Commission. If the application concerns a geographical area located outside the European Communities,

- 4) the foreign GI owner's government must provide a declaration as to the inspection structure used to ensure the product meets the standards for use of the GI and must monitor the inspection structure to ensure that it meets EC regulatory requirements ("government monitoring of inspection structures").⁶

Additionally, in order to oppose a GI application filed in the EC, the foreign interested party's government must accept applications for opposition, examine them for consistency with EC regulations and forward the opposition to the EC.⁷

Requirement for Foreign Government Intercession is an Unjustified Hurdle for Foreign GI Owners

The WTO Panel Report indicated that nationals of countries that do not have a system in place whereby their government accepts, examines, transmits and verifies the GI application or opposition for consistency with the EC regulations are worse off than EC nationals – whose governments are required by EC Regulations to institute such a system -- in getting a GI registration in the EC or in opposing a GI application.⁸ The Panel noted that other sovereign governments have no obligation under EC law to establish such a system, yet the EC has delegated the task to other governments of carrying out specific steps on behalf of their nationals for the purposes of complying with the EC Regulation.⁹

The EC claimed that cooperation by governments in the GI registration process is key because only the country of origin can evaluate the GI as to certain issues.¹⁰ The Panel found that the EC never proved that cooperation by governments is necessary to ensure

the authorities must also transmit a description of the protection of the GI in its country of origin, as well as a declaration concerning inspection structures.”)

⁶ WT/DS174/R ¶ 7.459 (“[The EC] confirms that governments, including third country governments, must carry out inspections to ensure compliance with product specifications in an EC GI registration, or ascertain that a private inspection body can effectively ensure that products comply with the specification and remain responsible for continued monitoring that the private body meets the requirements of the Regulation and, where they are third country governments, provide declarations that they have done so.”)

⁷ WT/DS174/R ¶ 7.338 (“...[A]ll objectors are required to submit their objection to the authorities in the country in which they reside or are established...the authorities who receive an objection verify certain formal matters and forward or transmit it to the Commission.”)

⁸ WT/DS174/R ¶ 7.341 (“Objectors in third countries face an “extra hurdle” in ensuring that the authorities in those countries carry out the functions reserved to them under the Regulation, which objectors in EC member States do not face. Consequently, certain objections may not be verified or transmitted.”)

⁹ WT/DS174/R ¶ 7.275 (“...[T]he European Communities is entitled to delegate certain functions under its measure to the authorities of EC member States. However, under the Regulation, the European Communities has purported to delegate part of this obligation to other WTO Members, who must carry out these three steps in the application procedures to ensure that no less favourable treatment is accorded to their respective nationals.”)

¹⁰ WT/DS174/R ¶ 7.302 (“The European Communities submits that the cooperation of the government of the country where the GI is located is indispensable because the registration of GIs requires the evaluation of factual and legal questions which ‘only the home country of the GI is in a position to carry out,’” quoting the EC rebuttal submission, para 237.)

that the GI meets EC requirements,¹¹ nor could the EC explain why the applicant – the entity most directly involved and knowledgeable about the GI – could not provide the evidence required to meet EC criteria.¹²

Requirement for Foreign Government Monitored Inspection Structures is Not Necessary for Compliance with Regulation and is an Unjustified Hurdle for Foreign GI owners

The Panel found that the EC allegation that public oversight of inspection structures is necessary to ensure compliance with the Regulation was not sufficiently proved by the EC.¹³ Furthermore, the Panel found that the requirement for governmentally monitored inspection structures for GIs discriminates against foreign nationals since foreign governments are not required to establish, approve and monitor inspection structures for GIs.¹⁴

Panel Orders EC to Accept Direct Applications and Direct Objections

The WTO Dispute Settlement Body (“DSB”) adopted the Panel Report on April 19, 2005, ruling that the EC GI Regulation discriminates against foreign nationals by requiring equivalent systems of protection in the foreign country, reciprocal protection for EC GIs in that country,¹⁵ and foreign government intercession in the EC GI application¹⁶ and objection processes.¹⁷ The DSB recommended that the EC bring its

¹¹ WT/DS174/R ¶ 7.305 (“Given that it has not established that examination by governments, including third country governments, is necessary, it has not established that transmission by them is necessary either.”)

¹² WT/DS174/R ¶ 7.304 (“...[T]he EC does not explain why the Regulation does not permit applicants to provide objective and impartial evidence that may verify their applications nor does it explain why the Commission cannot seek consent to carry out its own verifications.”)

¹³ WT/DS174/R ¶ 7.459 (“...[The EC] was unable to identify any EC Directives governing assessment of conformity to EC technical regulations in the goods area that require third country government participation in the designation and approval of conformity assessment bodies. It has not explained what aspect of GI protection distinguishes it from these other areas and makes it necessary to require government participation, including third country government participation, to the extent that it does.”)

¹⁴ WT/DS174/R ¶ 7.427 (“A group or person who submits an application in a third country must use an inspection authority or private body notified by its own government. As a result, if the third country government does not designate and/or approve, and monitor, inspection structures and provide the declaration, the group or person cannot obtain protection under the Regulation.”) See also, ¶ 7.426 (“Although the TRIPS Agreement contains obligations to protect GIs, it is not asserted that WTO Members have any obligation under that agreement to establish inspection structures such as those required under Article 10 of the Regulation.”)

¹⁵ WT/DS174/R ¶ 7.140 (“...[T]he Panel finds that the equivalence and reciprocity conditions modify the effective equality of opportunities with respect to the availability of protection to persons who wish to obtain GI protection under the Regulation, to the detriment of those who wish to obtain protection in respect of geographical areas located in third countries, including WTO Members.”)

¹⁶ WT/DS174/R ¶ 7.273 (“WTO Members have no obligation to implement a system of protection for geographical indications comparable to that of the European Communities and there is no reason to believe that they would nevertheless have the capacity to carry out examinations of technical issues that involve interpretations of EC law.”)

regulation into conformity with its obligations. Presumably, the EC will have to amend its Regulation to allow foreign nationals to apply directly and obtain protection for foreign GIs in the EC without intervention or action by their government in the process, and without any requirement that the foreign national's own government has a GI system that is equivalent to the EC's. Also, according to the DSB's recommendations and rulings, the EC cannot require a foreign government to create or monitor inspection structures for ensuring GI specifications are met as a condition for the foreign national to get GI protection in the EC.¹⁸ The EC must also allow foreign nationals to file objections to GI applications of others directly with the Commission.¹⁹

Trademark Owners Denied their TRIPS Rights Against later GIs

The United States brought a trademark claim against the EC GI Regulation because the Regulation does not permit owners of validly registered, pre-existing trademarks the right to prevent confusing uses of geographical indications registered under the EC Regulation, a right granted in Article 16.1 of the TRIPS Agreement.²⁰ The Panel agreed, finding that the EC GI Regulation is inconsistent with Article 16.1 of the TRIPS Agreement.²¹

The EC Regulation provides that the GI cannot be established if consumers would be misled as to the true identity of the product due to a conflict with a prior trademark with

¹⁷ WT/DS174/R ¶ 7.339 (“...[A]ny objection from a person in an EC member State is filed directly with a ‘de facto organ of the Community.’ An objection from a person in a third country cannot be filed directly, but must be filed with a foreign government. This is a formal difference in treatment.”)

¹⁸ WT/DS174/R ¶ 7.428 (“Applicants in third countries face an ‘extra hurdle’ in ensuring that the authorities in those countries carry out the functions reserved to them under the Regulation, which applicants in EC member States do not face. Consequently, certain applications may be rejected. This significantly reduces the opportunities available to the nationals of other WTO Members in the availability and acquisition of rights under the Regulation below those available to the European Communities’ own nationals.”)

¹⁹ WT/DS174/R ¶ 7.341 (“Therefore, persons resident or established in third countries, including other WTO Members, who wish to object to applications for registration under the Regulation do not have a right in the objection procedures that is provide to persons in the European Communities.”) See also ¶ 7.345 (“Therefore, the Panel concludes that, with respect to the objection procedures, insofar as they require the verification and transmission of objections by governments, the Regulation accords less favourable treatment to the nationals of other Members, inconsistently with Article 3.1 of the TRIPS Agreement.”)

²⁰ WT/DS174/R ¶ 7.512 (“The United States claims that the Regulation is inconsistent with Article 16.1 of the TRIPS Agreement because it does not ensure that a trademark owner may prevent uses of GIs which would result in a likelihood of confusion with a prior trademark. Its claim only concerns valid prior trademarks, not trademarks liable to invalidation because they lack distinctiveness or mislead consumers as to the origin of the goods.”)

²¹ WT/DS174/R ¶ 7.625 (“Therefore, the Panel concludes that, under Article 16.1 of the TRIPS Agreement, Members are required to make available to trademark owners a right against certain uses, including uses as a GI. The [EC] Regulation limits the availability of that right for the owners of trademarks which are subject to Article 14(2).”)

reputation and renown.²² For trademarks that do not have reputation and renown, the EC Regulation provides that the later GI can be established and coexist with the trademark.²³

Even so, the EC argued to the Panel that *the terms of the Regulation essentially do not allow for coexistence* of prior trademarks and later GIs²⁴ because:

- 1) there are very few if any trademarks that can be registered which could conflict with later GIs because geographic terms cannot be registered as trademarks in the EC if the geographic name is currently linked to the product concerned, or could be in the future;²⁵ and
- 2) a GI will not be registered if--by virtue of the acquired distinctiveness and reputation of a prior trademark--the GI would be misleading to consumers as to the true identity of the product, i.e., if a geographic term is registered as a trademark because the name has become distinctive through use and therefore has reputation and renown, a confusing GI will not be registered.²⁶

But the Panel did not find that the Regulation operated as the EC argued and that it did in fact provide for coexistence of the trademark and the later GI in some circumstances, impermissibly impinging on the rights of the trademark owner.²⁷ The Panel found that:

- 1) for trademarks with reputation, whether consumers are misled as to the “true identity of the product” is a more limited determination than as to whether the consumer is likely to be confused by the use of the later GI (the TRIPS standard for trademark infringement). The EC Regulation does not give the trademark owner the ability to argue this larger claim granted to them under TRIPS²⁸ to prevent the GI from registering; and
- 2) for trademarks without reputation, those owners are unable to challenge the registration of the GI and must coexist with the GI.²⁹

²² WT/DS174/R ¶ 7.559 (“...[T]he Panel’s first observation is that it requires GI registration to be refused where it would be ‘liable to mislead the consumer as to the true identity of the producer’. This is limited to liability to mislead as to a single issue, and not with respect to anything else.”)

²³ WT/DS174/R ¶ 7.521 (“...[I]t provides for the continued use of a prior trademark even though use of that trademark would conflict with the rights conferred by registration of a GI under the Regulation...it is an express recognition that, in principle, a GI and a trademark can coexist under Community law.”)

²⁴ WT/DS174/R ¶ 7.540 (“The European Communities argues that, as a factual matter, the risk of registration of a GI confusingly similar to a prior trademark is very limited due to the criteria for registrability of trademarks under EC law. Moreover, Article 14(3) of the Regulation, if properly interpreted, is sufficient to prevent the registration of any confusing GIs.”)

²⁵ WT/DS174/R Id.

²⁶ WT/DS174/R ¶ 7.531 (“The European Communities argues that Article 14(3) of the Regulation, together with the criteria for registrability of trademarks applied under EC law, prevent the registration of a GI, use of which would result in a likelihood of confusion with a prior trademark.”)

²⁷ WT/DS174/R ¶ 7.575 (“...Article 14(3) of the Regulation cannot prevent all situations from occurring in which a trademark would be subject to Article 14(2) and, hence, in which the Regulation would limit the rights of the owner of such a trademark.”)

²⁸ WT/DS174/R ¶ 7.561 (“...[T]he standard in Article 14(3) that registration would ‘mislead the consumer as to the true identity of the product’ is intended to apply in a narrower set of circumstances than the trademark owner’s right to prevent use that would result in a likelihood of confusion.”)

²⁹ WT/DS174/R ¶ 7.560 (“...[T]he scope of Article 14(3) is limited to a subset of trademarks which, as a minimum, excludes trademarks with no reputation, renown or use.”)

Because of these two features, the EC Regulation violates Article 16.1 of TRIPS by denying the trademark owner the exclusive right to prevent confusing uses as to later applied for and registered GIs.³⁰

The EC then argued that Article 24.3 and 24.5 of the TRIPS Agreement justified such a violation of Article 16.1.³¹ Significantly, the Panel rejected the EC's claim that Articles 24.3 and 24.5 of the TRIPS Agreement provide for a regime of "co-existence" between registered geographical indications and pre-existing trademarks under which owners of registered trademarks are denied Article 16.1 rights.³²

Finally, the EC argued that the EC Regulation provides for coexistence only in cases where the likelihood of confusion between the trademark and later GI is low and therefore, it argued that the Regulation is justified under TRIPS Article 17, which allows for Members to provide limited and narrow exceptions to a trademark owner's rights.³³

The Panel agreed, with caveats, that the Regulation creates only a limited exception under Article 17 but only because: 1) a GI will not be registered if consumers would be misled by the GI as it relates to a prior trademark, thus preventing registration of a GI if it would cause a high likelihood of confusion with the prior trademark³⁴; 2) a GI application is subject to direct opposition by interested third parties³⁵; and 3) the EC

³⁰ WT/DS174/R ¶ 7.603 ("...[T]here is no implied limitation vis-à-vis GIs in the text of Article 16.1 on the exclusive right which Members must make available to the owner of a registered trademark. That right may be exercised against a third party not having the owner's consent on the same terms, whether or not the third party uses the sign in accordance with GI protection, subject to any applicable exception.")

³¹ WT/DS174/R ¶ 7.628 ("The European Communities argues that it is required to maintain coexistence of GIs and earlier trademarks by Article 24.3 of the TRIPS Agreement, which is a standstill obligation that prohibits Members from diminishing the level of GI protection that existed at the time of entry into force of the WTO Agreement.") WT/DS174/R ¶ 7.616 ("In contrast, the European Communities argues that the use of the more specific language in Article 24.5 in fact implies a limitation on the trademark owners' right to exclude use.")

³² WT/DS174/R ¶ 7.625 ("Article 24.5 of the TRIPS Agreement is inapplicable and does not provide authority to limit that right [Article 16.1].") WT/DS174/R, ¶ 7.636 ("Article 24.3 is inapplicable.")

³³ WT/DS174/R ¶ 7.641 ("The European Communities argues that the legitimate interests of the trademark owner and of third parties are taken into account because Article 14(3) of the Regulation would prevent the most significant cases of confusion...")

³⁴ WT/DS174/R ¶ 7.670 ("Where Articles 7(4) and 14(3) of the Regulation are unavailable, and a trademark is subject to Article 14(2), there remains the possibility that its distinctiveness will be affected by the use of the GI. We do not consider this fatal to the applicability of Article 17 given that, as provision permitting an exception to the exclusive right to prevent uses that result in a likelihood of confusion, it presupposes that a certain degree of likelihood of confusion can be permitted. In light of the provisions of Article 7(4) [opposition] and 14(3), we are satisfied that where the likelihood of confusion is relatively high, the exception in Article 14(2) will not apply.")

³⁵ WT/DS174/R ¶ 7.658 ("...Article 7(4) and, hence, Article 12b(3), provide a ground for objection where registration would jeopardize the existence of a mark, and Article 14(3) provides a ground for refusal of registration which refers to the trademark's reputation and renown and the length of time it has been used. These factors are relevant to the likelihood of confusion which could result from subsequent use of the GI...Whilst Articles 7(4), 12b(3) and 14(3) do not specifically refer to the concept of likelihood of confusion between a GI and a trademark subject to the exception in Article 14(2), they, together with

Regulation only authorizes a right to use the GI as it appears in the GI registration certificate, and therefore, a prior trademark owner may prevent the GI from being used in a translated form which conflicts with that prior trademark and is likely to cause confusion.³⁶ By virtue of this reading of the EC Regulation, the WTO Panel was able to find that the EC Regulation fit within Article 17's narrow exception.

History of the Case

The United States first requested consultations regarding this matter on June 1, 1999, and, on April 4, 2003, requested consultations on the additional issue of the EU's national treatment obligations under the GATT 1994. Australia also requested consultations with respect to this measure. When consultations failed to resolve the dispute, the United States requested the establishment of a panel on August 18, 2003. A panel was established on October 2, 2003, to consider the complaints of the United States and Australia. On February 23, 2004, the Director General composed the panel as follows: Mr. Miguel Rodriguez Mendoza, Chair, and Mr. Seung Wha Chang and Mr. Peter Kam-fai Cheung, Members. The panel circulated its final reports on March 15, 2005, which were not appealed.

Articles 7(5)(b), 12(b)(3) and 12d(3) can ensure that, in cases where the likelihood of confusion is relatively high, the exception simply does not apply.”)

³⁶ WT/DS174/R ¶ 7.657 (“The Regulation curtails the trademark owner’s right in respect of certain signs but not all signs identical or similar to the one protected as a trademark. It prevents the trademark owner from exercising its right to prevent use of an indication registered as a GI in accordance with its registration. We recall our finding in paragraph 7.518 that the GI registration does not confer a positive right to use any other signs or combination of signs nor to use the name in any linguistic versions not entered in the register. The trademark owner’s right is not curtailed against any such uses. If the GI registration prevented the trademark owner from exercising its rights against these signs, combinations of signs or linguistic versions, which do not appear expressly in the GI registration, it would seriously expand the exception and undermine the limitations on its scope.”)