ANNEX C

ARGUMENTS OF THE THIRD PARTIES

TABLE OF CONTENTS

A. ARGENTINA C-1
B. BRAZIL C-5
C. CANADA C-10
D. CHINA C-19
E. COLOMBIA C-25
F. INDIA C-26
G. MEXICO C-27
H. NEW ZEALAND C-31
I. SEPARATE CUSTOMS TERRITORY OF TAIWAN, PENGHU, KINMEN AND MATSU C-44
EXHIBIT NZ-1 ..... C-49
EXHIBIT NZ-2 ..... C-52

1. This Annex reflects the arguments made by the third parties (the

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

(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 registr(Appli975 TD) Tj 330.75 0 TD -0.0512 Tc 0.2387 Tw (tructures could fail to meet) T

(iii) Role of the Commission / Examination of applications

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

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 senso*, 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.

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, application (c

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

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)D 0 Tc 0.1875 Tw ( ) Tnon

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.

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

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".[12] 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 bOn1tection

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. [15]

74. Immediately after that paragraph, the European Communities continues to argue that, in the

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

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

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 E87.5 id5 .0696 Tces'50 0 642 .5 0 T73Tj -114 -1p639 TsS3 0 TD7guity

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

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 therefore shj 81.736 0 TD -0.439218Tc -0.5325 T.75 -1

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 GTj ra3raphicalOacies

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 p

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 provides (emarien191875 1 hmubsequ Tc 6 Tc 0 Tw (Article)14ulatire t0 Tw (14) Tj

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.[23] 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.

---

[23] 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

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

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 agrees that New Zealand meets the [illegible]

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

applicable law, by itself, is not sufficient to constitute a breach of national treatment.[31] 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.[32] 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".[33] 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".[34] In other words, treatment no less favourable in Article III:4 of GATT 1994 calls for "effective equality of opportunities".[35]

(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.[36] 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

---

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

[32] See the Appellate Body Report on *Korea – Various Measures on Beef*, at para. 135.

[33] Appellate Body Report on *US – Section 211 Appropriations Act*, para. 265.

[34] Appellate Body Report on *Korea – Various Measures on Beef*, para. 137.

[35] GATT Panel Report on *US – Section 337*, para. 5.11.

[36] 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".[37] It is worth recalling, however, that a breach of national treatment may arise from the application of formally identical laws.[38] 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 C

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

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, i TD0761 Tc 1.

geographical indication which supposedly infringes its trademark right".[44] 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 0 11.25 Tf -0.08c 1.

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 regi

æof the 9C RegulaHowever, ju Ta thaDre, nano ba Tj2

(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

(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 applicato thr -132 -rw (any registrat5td to) Tj

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.[47] 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.
Tw 31nder the54ves of tnary distinction has limited applicaat the lwhethdiffs 1ntethdepeslatioica
sec-12.etcrilan tapplic.0.0895 Tc 0 Tw (an Tj 2.25 0 TD -0.1403 -5 Tc 0 .11Tf 0 Tc0.11111111111111111111111111

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

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

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 the persons

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.