International and Regional Trade Law: The Law of the World Trade Organization

J.H.H. Weiler

University Professor, NYU
Joseph Straus Professor of Law and European Union Jean Monnet Chair,
NYU School of Law

AND

Sungjoon Cho

Assistant Professor
Chicago-Kent College of Law
Illinois Institute of Technology

Unit XV: Intellectual Property Rights (TRIPs)

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Unit XV: Intellectual Property Rights (TRIPs)

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Guiding Questions

1. What is the rationale of protecting intellectual property rights in general? Should they be protected under the WTO? Wouldn't the WIPO be sufficient?

2. Think of other legal (under WTO or beyond WTO) grounds for exempting TRIPs obligations as to pharmaceuticals in order to save human lives in poor countries?

3. What would be demerits of expanding the protection of geographical indication?

4. India – Patent Protection (1997)

> *Read the case considering that it is the first WTO case law on TRIPs. Also read it against the backdrop of the principle of "good faith."*

5. Canada – Terms of Patent Protection (2000)

> *Pay attention to the AB's invocation of the Vienna Convention (non-retroactivity). What kind of situations did the AB try to prevent?*
>
> *Also ruminate on the following dictum:*
>
> > *101.Also, we note that our findings in this appeal do not in any way prejudge the applicability of Article 7 or Article 8 of the TRIPS Agreement in possible future cases with respect to measures to promote the policy objectives of the WTO Members that are set out in those Articles. Those Articles still await appropriate interpretation.*

1. Overview

http://www.wto.org/english/tratop_e/trips_e/intel2_e.htm

TRIPS : A MORE DETAILED OVERVIEW OF THE TRIPS AGREEMENT

Overview: the TRIPS Agreement

The TRIPS Agreement, which came into effect on 1 January 1995, is to date the most comprehensive multilateral agreement on intellectual property.

The areas of intellectual property that it covers are: copyright and related rights (i.e. the rights of performers, producers of sound recordings and broadcasting organizations); trademarks including service marks; geographical indications including appellations of origin; industrial designs; patents including the protection of new varieties of plants; the layout-designs of integrated circuits; and undisclosed information including trade secrets and test data.

The three main features of the Agreement are:

- **Standards**. In respect of each of the main areas of intellectual property covered by the TRIPS Agreement, the Agreement sets out the minimum standards of protection to be provided by each Member. Each of the main elements of protection is defined, namely the subject-matter to be protected, the rights to be conferred and permissible exceptions to those rights, and the minimum duration of protection. The Agreement sets these standards by requiring, first, that the substantive obligations of the main conventions of the WIPO, the Paris Convention for the Protection of Industrial Property (Paris Convention) and the Berne Convention for the Protection of Literary and Artistic Works (Berne Convention) in their most recent versions, must be complied with. With the exception of the provisions of the Berne Convention on moral rights, all the main substantive provisions of these conventions are incorporated by reference and thus become obligations under the TRIPS Agreement between TRIPS Member countries. The relevant provisions are to be found in Articles 2.1 and 9.1 of the TRIPS Agreement, which relate, respectively, to the Paris Convention and to the Berne Convention. Secondly, the TRIPS Agreement adds a substantial number of additional obligations on matters where the pre-existing conventions are silent or were seen as being inadequate. The TRIPS Agreement is thus sometimes referred to as a Berne and Paris-plus agreement.

- **Enforcement**. The second main set of provisions deals with domestic procedures and remedies for the enforcement of intellectual property rights. The Agreement lays down certain general principles applicable to all IPR enforcement procedures. In addition, it contains provisions on civil and administrative procedures and remedies, provisional measures, special requirements related to border measures and criminal procedures, which specify, in a certain amount of

detail, the procedures and remedies that must be available so that right holders can effectively enforce their rights.

- **Dispute settlement**. The Agreement makes disputes between WTO Members about the respect of the TRIPS obligations subject to the WTO's dispute settlement procedures.

In addition the Agreement provides for certain basic principles, such as national and most-favoured-nation treatment, and some general rules to ensure that procedural difficulties in acquiring or maintaining IPRs do not nullify the substantive benefits that should flow from the Agreement. The obligations under the Agreement will apply equally to all Member countries, but developing countries will have a longer period to phase them in. Special transition arrangements operate in the situation where a developing country does not presently provide product patent protection in the area of pharmaceuticals.

The TRIPS Agreement is a minimum standards agreement, which allows Members to provide more extensive protection of intellectual property if they so wish. Members are left free to determine the appropriate method of implementing the provisions of the Agreement within their own legal system and practice.

Certain general provisions Back to top

As in the main pre-existing intellectual property conventions, the basic obligation on each Member country is to accord the treatment in regard to the protection of intellectual property provided for under the Agreement to the persons of other Members. Article 1.3 defines who these persons are. These persons are referred to as “nationals” but include persons, natural or legal, who have a close attachment to other Members without necessarily being nationals. The criteria for determining which persons must thus benefit from the treatment provided for under the Agreement are those laid down for this purpose in the main pre-existing intellectual property conventions of WIPO, applied of course with respect to all WTO Members whether or not they are party to those conventions. These conventions are the Paris Convention, the Berne Convention, International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (Rome Convention), and the Treaty on Intellectual Property in Respect of Integrated Circuits (IPIC Treaty).

Articles 3, 4 and 5 include the fundamental rules on national and most-favoured-nation treatment of foreign nationals, which are common to all categories of intellectual property covered by the Agreement. These obligations cover not only the substantive standards of protection but also matters affecting the availability, acquisition, scope, maintenance and enforcement of intellectual property rights as well as those matters affecting the use of intellectual property rights specifically addressed in the Agreement. While the national treatment clause forbids discrimination between a Member's own nationals and the nationals of other Members, the most-favoured-nation treatment clause forbids discrimination between the nationals of other Members. In respect of the national

treatment obligation, the exceptions allowed under the pre-existing intellectual property conventions of WIPO are also allowed under TRIPS. Where these exceptions allow material reciprocity, a consequential exception to MFN treatment is also permitted (e.g. comparison of terms for copyright protection in excess of the minimum term required by the TRIPS Agreement as provided under Article 7(8) of the Berne Convention as incorporated into the TRIPS Agreement). Certain other limited exceptions to the MFN obligation are also provided for.

The general goals of the TRIPS Agreement are contained in the Preamble of the Agreement, which reproduces the basic Uruguay Round negotiating objectives established in the TRIPS area by the 1986 Punta del Este Declaration and the 1988/89 Mid-Term Review. These objectives include the reduction of distortions and impediments to international trade, promotion of effective and adequate protection of intellectual property rights, and ensuring that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade. These objectives should be read in conjunction with Article 7, entitled “Objectives”, according to which the protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations. Article 8, entitled “Principles”, recognizes the rights of Members to adopt measures for public health and other public interest reasons and to prevent the abuse of intellectual property rights, provided that such measures are consistent with the provisions of the TRIPS Agreement.

Substantive standards of protection Back to top

Copyright Back to top

During the Uruguay Round negotiations, it was recognized that the Berne Convention already, for the most part, provided adequate basic standards of copyright protection. Thus it was agreed that the point of departure should be the existing level of protection under the latest Act, the Paris Act of 1971, of that Convention. The point of departure is expressed in Article 9.1 under which Members are obliged to comply with the substantive provisions of the Paris Act of 1971 of the Berne Convention, i.e. Articles 1 through 21 of the Berne Convention (1971) and the Appendix thereto. However, Members do not have rights or obligations under the TRIPS Agreement in respect of the rights conferred under Article 6*bis* of that Convention, i.e. the moral rights (the right to claim authorship and to object to any derogatory action in relation to a work, which would be prejudicial to the author's honour or reputation), or of the rights derived therefrom. The provisions of the Berne Convention referred to deal with questions such as subject-matter to be protected, minimum term of protection, and rights to be conferred and permissible limitations to those rights. The Appendix allows developing countries, under certain conditions, to make some limitations to the right of translation and the right of reproduction.

In addition to requiring compliance with the basic standards of the Berne Convention, the TRIPS Agreement clarifies and adds certain specific points.

Article 9.2 confirms that copyright protection shall extend to expressions and not to ideas, procedures, methods of operation or mathematical concepts as such.

Article 10.1 provides that computer programs, whether in source or object code, shall be protected as literary works under the Berne Convention (1971). This provision confirms that computer programs must be protected under copyright and that those provisions of the Berne Convention that apply to literary works shall be applied also to them. It confirms further, that the form in which a program is, whether in source or object code, does not affect the protection. The obligation to protect computer programs as literary works means e.g. that only those limitations that are applicable to literary works may be applied to computer programs. It also confirms that the general term of protection of 50 years applies to computer programs. Possible shorter terms applicable to photographic works and works of applied art may not be applied.

Article 10.2 clarifies that databases and other compilations of data or other material shall be protected as such under copyright even where the databases include data that as such are not protected under copyright. Databases are eligible for copyright protection provided that they by reason of the selection or arrangement of their contents constitute intellectual creations. The provision also confirms that databases have to be protected regardless of which form they are in, whether machine readable or other form. Furthermore, the provision clarifies that such protection shall not extend to the data or material itself, and that it shall be without prejudice to any copyright subsisting in the data or material itself.

Article 11 provides that authors shall have in respect of at least computer programs and, in certain circumstances, of cinematographic works the right to authorize or to prohibit the commercial rental to the public of originals or copies of their copyright works. With respect to cinematographic works, the exclusive rental right is subject to the so-called impairment test: a Member is excepted from the obligation unless such rental has led to widespread copying of such works which is materially impairing the exclusive right of reproduction conferred in that Member on authors and their successors in title. In respect of computer programs, the obligation does not apply to rentals where the program itself is not the essential object of the rental.

According to the general rule contained in Article 7(1) of the Berne Convention as incorporated into the TRIPS Agreement, the term of protection shall be the life of the author and 50 years after his death. Paragraphs 2 through 4 of that Article specifically allow shorter terms in certain cases. These provisions are supplemented by Article 12 of the TRIPS Agreement, which provides that whenever the term of protection of a work, other than a photographic work or a work of applied art, is calculated on a basis other than the life of a natural person, such term shall be no less than 50 years from the end of the calendar year of authorized publication, or, failing such authorized publication within

50 years from the making of the work, 50 years from the end of the calendar year of making.

Article 13 requires Members to confine limitations or exceptions to exclusive rights to certain special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder. This is a horizontal provision that applies to all limitations and exceptions permitted under the provisions of the Berne Convention and the Appendix thereto as incorporated into the TRIPS Agreement. The application of these limitations is permitted also under the TRIPS Agreement, but the provision makes it clear that they must be applied in a manner that does not prejudice the legitimate interests of the right holder.

Related rights Back to top

The provisions on protection of performers, producers of phonograms and broadcasting organizations are included in Article 14. According to Article 14.1, performers shall have the possibility of preventing the unauthorized fixation of their performance on a phonogram (e.g. the recording of a live musical performance). The fixation right covers only aural, not audiovisual fixations. Performers must also be in position to prevent the reproduction of such fixations. They shall also have the possibility of preventing the unauthorized broadcasting by wireless means and the communication to the public of their live performance.

In accordance with Article 14.2, Members have to grant producers of phonograms an exclusive reproduction right. In addition to this, they have to grant, in accordance with Article 14.4, an exclusive rental right at least to producers of phonograms. The provisions on rental rights apply also to any other right holders in phonograms as determined in national law. This right has the same scope as the rental right in respect of computer programs. Therefore it is not subject to the impairment test as in respect of cinematographic works. However, it is limited by a so-called grand-fathering clause, according to which a Member, which on 15 April 1994, i.e. the date of the signature of the Marrakesh Agreement, had in force a system of equitable remuneration of right holders in respect of the rental of phonograms, may maintain such system provided that the commercial rental of phonograms is not giving rise to the material impairment of the exclusive rights of reproduction of right holders.

Broadcasting organizations shall have, in accordance with Article 14.3, the right to prohibit the unauthorized fixation, the reproduction of fixations, and the rebroadcasting by wireless means of broadcasts, as well as the communication to the public of their television broadcasts. However, it is not necessary to grant such rights to broadcasting organizations, if owners of copyright in the subject-matter of broadcasts are provided with the possibility of preventing these acts, subject to the provisions of the Berne Convention.

The term of protection is at least 50 years for performers and producers of phonograms, and 20 years for broadcasting organizations (Article 14.5).

Article 14.6 provides that any Member may, in relation to the protection of performers, producers of phonograms and broadcasting organizations, provide for conditions, limitations, exceptions and reservations to the extent permitted by the Rome Convention.

Trademarks Back to top

The basic rule contained in Article 15 is that any sign, or any combination of signs, capable of distinguishing the goods and services of one undertaking from those of other undertakings, must be eligible for registration as a trademark, provided that it is visually perceptible. Such signs, in particular words including personal names, letters, numerals, figurative elements and combinations of colours as well as any combination of such signs, must be eligible for registration as trademarks.

Where signs are not inherently capable of distinguishing the relevant goods or services, Member countries are allowed to require, as an additional condition for eligibility for registration as a trademark, that distinctiveness has been acquired through use. Members are free to determine whether to allow the registration of signs that are not visually perceptible (e.g. sound or smell marks).

Members may make registrability depend on use. However, actual use of a trademark shall not be permitted as a condition for filing an application for registration, and at least three years must have passed after that filing date before failure to realize an intent to use is allowed as the ground for refusing the application (Article 14.3).

The Agreement requires service marks to be protected in the same way as marks distinguishing goods (see e.g. Articles 15.1, 16.2 and 62.3).

The owner of a registered trademark must be granted the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion must be presumed (Article 16.1).

The TRIPS Agreement contains certain provisions on well-known marks, which supplement the protection required by Article 6*bis* of the Paris Convention, as incorporated by reference into the TRIPS Agreement, which obliges Members to refuse or to cancel the registration, and to prohibit the use of a mark conflicting with a mark which is well known. First, the provisions of that Article must be applied also to services. Second, it is required that knowledge in the relevant sector of the public acquired not only as a result of the use of the mark but also by other means, including as a result of its promotion, be taken into account. Furthermore, the protection of registered well-known marks must extend to goods or services which are not similar to those in respect of which the trademark has been registered, provided that its use would indicate a connection between those goods or services and the owner of the registered trademark, and the interests of the owner are likely to be damaged by such use (Articles 16.2 and 3).

Members may provide limited exceptions to the rights conferred by a trademark, such as fair use of descriptive terms, provided that such exceptions take account of the legitimate interests of the owner of the trademark and of third parties (Article 17).

Initial registration, and each renewal of registration, of a trademark shall be for a term of no less than seven years. The registration of a trademark shall be renewable indefinitely (Article 18).

Cancellation of a mark on the grounds of non-use cannot take place before three years of uninterrupted non-use has elapsed unless valid reasons based on the existence of obstacles to such use are shown by the trademark owner. Circumstances arising independently of the will of the owner of the trademark, such as import restrictions or other government restrictions, shall be recognized as valid reasons of non-use. Use of a trademark by another person, when subject to the control of its owner, must be recognized as use of the trademark for the purpose of maintaining the registration (Article 19).

It is further required that use of the trademark in the course of trade shall not be unjustifiably encumbered by special requirements, such as use with another trademark, use in a special form, or use in a manner detrimental to its capability to distinguish the goods or services (Article 20).

Geographical indications Back to top

Geographical indications are defined, for the purposes of the Agreement, as indications which identify a good as originating in the territory of a Member, or a region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin (Article 22.1). Thus, this definition specifies that the quality, reputation or other characteristics of a good can each be a sufficient basis for eligibility as a geographical indication, where they are essentially attributable to the geographical origin of the good.

In respect of all geographical indications, interested parties must have legal means to prevent use of indications which mislead the public as to the geographical origin of the good, and use which constitutes an act of unfair competition within the meaning of Article 10*bis* of the Paris Convention (Article 22.2).

The registration of a trademark which uses a geographical indication in a way that misleads the public as to the true place of origin must be refused or invalidated *ex officio* if the legislation so permits or at the request of an interested party (Article 22.3).

Article 23 provides that interested parties must have the legal means to prevent the use of a geographical indication identifying wines for wines not originating in the place indicated by the geographical indication. This applies even where the public is not being misled, there is no unfair competition and the true origin of the good is indicated or the geographical indication is accompanied be expressions such as “kind”, “type”, “style”,

"imitation" or the like. Similar protection must be given to geographical indications identifying spirits when used on spirits. Protection against registration of a trademark must be provided accordingly.

Article 24 contains a number of exceptions to the protection of geographical indications. These exceptions are of particular relevance in respect of the additional protection for geographical indications for wines and spirits. For example, Members are not obliged to bring a geographical indication under protection, where it has become a generic term for describing the product in question (paragraph 6). Measures to implement these provisions shall not prejudice prior trademark rights that have been acquired in good faith (paragraph 5). Under certain circumstances, continued use of a geographical indication for wines or spirits may be allowed on a scale and nature as before (paragraph 4). Members availing themselves of the use of these exceptions must be willing to enter into negotiations about their continued application to individual geographical indications (paragraph 1). The exceptions cannot be used to diminish the protection of geographical indications that existed prior to the entry into force of the TRIPS Agreement (paragraph 3). The TRIPS Council shall keep under review the application of the provisions on the protection of geographical indications (paragraph 2).

Industrial designs Back to top

Article 25.1 of the TRIPS Agreement obliges Members to provide for the protection of independently created industrial designs that are new or original. Members may provide that designs are not new or original if they do not significantly differ from known designs or combinations of known design features. Members may provide that such protection shall not extend to designs dictated essentially by technical or functional considerations.

Article 25.2 contains a special provision aimed at taking into account the short life cycle and sheer number of new designs in the textile sector: requirements for securing protection of such designs, in particular in regard to any cost, examination or publication, must not unreasonably impair the opportunity to seek and obtain such protection. Members are free to meet this obligation through industrial design law or through copyright law.

Article 26.1 requires Members to grant the owner of a protected industrial design the right to prevent third parties not having the owner's consent from making, selling or importing articles bearing or embodying a design which is a copy, or substantially a copy, of the protected design, when such acts are undertaken for commercial purposes.

Article 26.2 allows Members to provide limited exceptions to the protection of industrial designs, provided that such exceptions do not unreasonably conflict with the normal exploitation of protected industrial designs and do not unreasonably prejudice the legitimate interests of the owner of the protected design, taking account of the legitimate interests of third parties.

The duration of protection available shall amount to at least 10 years (Article 26.3). The wording “amount to” allows the term to be divided into, for example, two periods of five years.

Patents Back to top

The TRIPS Agreement requires Member countries to make patents available for any inventions, whether products or processes, in all fields of technology without discrimination, subject to the normal tests of novelty, inventiveness and industrial applicability. It is also required that patents be available and patent rights enjoyable without discrimination as to the place of invention and whether products are imported or locally produced (Article 27.1).

There are three permissible exceptions to the basic rule on patentability. One is for inventions contrary to *ordre public* or morality; this explicitly includes inventions dangerous to human, animal or plant life or health or seriously prejudicial to the environment. The use of this exception is subject to the condition that the commercial exploitation of the invention must also be prevented and this prevention must be necessary for the protection of *ordre public* or morality (Article 27.2).

The second exception is that Members may exclude from patentability diagnostic, therapeutic and surgical methods for the treatment of humans or animals (Article 27.3(a)).

The third is that Members may exclude plants and animals other than micro-organisms and essentially biological processes for the production of plants or animals other than non-biological and microbiological processes. However, any country excluding plant varieties from patent protection must provide an effective *sui generis* system of protection. Moreover, the whole provision is subject to review four years after entry into force of the Agreement (Article 27.3(b)).

The exclusive rights that must be conferred by a product patent are the ones of making, using, offering for sale, selling, and importing for these purposes. Process patent protection must give rights not only over use of the process but also over products obtained directly by the process. Patent owners shall also have the right to assign, or transfer by succession, the patent and to conclude licensing contracts (Article 28).

Members may provide limited exceptions to the exclusive rights conferred by a patent, provided that such exceptions do not unreasonably conflict with a normal exploitation of the patent and do not unreasonably prejudice the legitimate interests of the patent owner, taking account of the legitimate interests of third parties (Article 30).

The term of protection available shall not end before the expiration of a period of 20 years counted from the filing date (Article 33).

Members shall require that an applicant for a patent shall disclose the invention in a manner sufficiently clear and complete for the invention to be carried out by a person skilled in the art and may require the applicant to indicate the best mode for carrying out the invention known to the inventor at the filing date or, where priority is claimed, at the priority date of the application (Article 29.1).

If the subject-matter of a patent is a process for obtaining a product, the judicial authorities shall have the authority to order the defendant to prove that the process to obtain an identical product is different from the patented process, where certain conditions indicating a likelihood that the protected process was used are met (Article 34).

Compulsory licensing and government use without the authorization of the right holder are allowed, but are made subject to conditions aimed at protecting the legitimate interests of the right holder. The conditions are mainly contained in Article 31. These include the obligation, as a general rule, to grant such licences only if an unsuccessful attempt has been made to acquire a voluntary licence on reasonable terms and conditions within a reasonable period of time; the requirement to pay adequate remuneration in the circumstances of each case, taking into account the economic value of the licence; and a requirement that decisions be subject to judicial or other independent review by a distinct higher authority. Certain of these conditions are relaxed where compulsory licences are employed to remedy practices that have been established as anticompetitive by a legal process. These conditions should be read together with the related provisions of Article 27.1, which require that patent rights shall be enjoyable without discrimination as to the field of technology, and whether products are imported or locally produced.

Layout-designs of integrated circuits Back to top

Article 35 of the TRIPS Agreement requires Member countries to protect the layout-designs of integrated circuits in accordance with the provisions of the IPIC Treaty (the Treaty on Intellectual Property in Respect of Integrated Circuits), negotiated under the auspices of WIPO in 1989. These provisions deal with, *inter alia*, the definitions of “integrated circuit” and “layout-design (topography)”, requirements for protection, exclusive rights, and limitations, as well as exploitation, registration and disclosure. An “integrated circuit” means a product, in its final form or an intermediate form, in which the elements, at least one of which is an active element, and some or all of the interconnections are integrally formed in and/or on a piece of material and which is intended to perform an electronic function. A “layout-design (topography)” is defined as the three-dimensional disposition, however expressed, of the elements, at least one of which is an active element, and of some or all of the interconnections of an integrated circuit, or such a three-dimensional disposition prepared for an integrated circuit intended for manufacture. The obligation to protect layout-designs applies to such layout-designs that are original in the sense that they are the result of their creators' own intellectual effort and are not commonplace among creators of layout-designs and manufacturers of integrated circuits at the time of their creation. The exclusive rights include the right of

reproduction and the right of importation, sale and other distribution for commercial purposes. Certain limitations to these rights are provided for.

In addition to requiring Member countries to protect the layout-designs of integrated circuits in accordance with the provisions of the IPIC Treaty, the TRIPS Agreement clarifies and/or builds on four points. These points relate to the term of protection (ten years instead of eight, Article 38), the applicability of the protection to articles containing infringing integrated circuits (last sub clause of Article 36) and the treatment of innocent infringers (Article 37.1). The conditions in Article 31 of the TRIPS Agreement apply *mutatis mutandis* to compulsory or non-voluntary licensing of a layout-design or to its use by or for the government without the authorization of the right holder, instead of the provisions of the IPIC Treaty on compulsory licensing (Article 37.2).

Protection of undisclosed information Back to top

The TRIPS Agreement requires undisclosed information -- trade secrets or know-how -- to benefit from protection. According to Article 39.2, the protection must apply to information that is secret, that has commercial value because it is secret and that has been subject to reasonable steps to keep it secret. The Agreement does not require undisclosed information to be treated as a form of property, but it does require that a person lawfully in control of such information must have the possibility of preventing it from being disclosed to, acquired by, or used by others without his or her consent in a manner contrary to honest commercial practices. “Manner contrary to honest commercial practices” includes breach of contract, breach of confidence and inducement to breach, as well as the acquisition of undisclosed information by third parties who knew, or were grossly negligent in failing to know, that such practices were involved in the acquisition.

The Agreement also contains provisions on undisclosed test data and other data whose submission is required by governments as a condition of approving the marketing of pharmaceutical or agricultural chemical products which use new chemical entities. In such a situation the Member government concerned must protect the data against unfair commercial use. In addition, Members must protect such data against disclosure, except where necessary to protect the public, or unless steps are taken to ensure that the data are protected against unfair commercial use.

Control of anti-competitive practices in contractual licences Back to top

Article 40 of the TRIPS Agreement recognizes that some licensing practices or conditions pertaining to intellectual property rights which restrain competition may have adverse effects on trade and may impede the transfer and dissemination of technology (paragraph 1). Member countries may adopt, consistently with the other provisions of the Agreement, appropriate measures to prevent or control practices in the licensing of intellectual property rights which are abusive and anti-competitive (paragraph 2). The Agreement provides for a mechanism whereby a country seeking to take action against such practices involving the companies of another Member country can enter into consultations with that other Member and exchange publicly available non-confidential

information of relevance to the matter in question and of other information available to that Member, subject to domestic law and to the conclusion of mutually satisfactory agreements concerning the safeguarding of its confidentiality by the requesting Member (paragraph 3). Similarly, a country whose companies are subject to such action in another Member can enter into consultations with that Member (paragraph 4).

2. Public Health

http://www.wto.org/english/news_e/pres03_e/pr350_e.htm

WTO NEWS: 2003 PRESS RELEASES

Press/350, 30 August 2003
INTELLECTUAL PROPERTY

Decision removes final patent obstacle to cheap drug imports

WTO member governments broke their deadlock over intellectual property protection and public health today (30 August 2003). They agreed on legal changes that will make it easier for poorer countries to import cheaper generics made under compulsory licensing if they are unable to manufacture the medicines themselves.

> Decision on implementation of paragraph 6 of the Doha Declaration on the TRIPS Agreement and public health
> The General Council Chairperson's statement

The decision settles the one remaining piece of unfinished business on intellectual property and health that was left over from the WTO Ministerial Conference in Doha in November 2001.

"This is a historic agreement for the WTO," said Director-General Supachai Panitchpakdi. "The final piece of the jigsaw has fallen into place, allowing poorer countries to make full use of the flexibilities in the WTO's intellectual property rules in order to deal with the diseases that ravage their people.

"It proves once and for all that the organization can handle humanitarian as well as trade concerns," he went on. "This particular question has been specially difficult. The fact that WTO members have managed to find a compromise in such a complex issue bears testimony to their goodwill.

"It also gives WTO members a good momentum to take to the Ministerial Conference in Cancún. I sincerely hope ministers can work together to reach agreement on the other outstanding issues that they will deal with in Cancún," he said.

The decision waives countries' obligations under a provision of the WTO's intellectual property agreement. Article 31(f) of the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement says that production under compulsory licensing must be predominantly for the domestic market. This effectively limited the ability of countries that cannot make pharmaceutical products from importing cheaper generics from countries where pharmaceuticals are patented.

In the decision, WTO member governments have agreed that the waiver will last until the article is amended.

Background back to top

Flexibilities such as “compulsory licensing” are written into the TRIPS Agreement — governments can issue compulsory licenses to allow other companies to make a patented product or use a patented process under licence without the consent of the patent owner, but only under certain conditions aimed at safeguarding the legitimate interests of the patent holder.

But some governments were unsure of how these flexibilities would be interpreted, and how far their right to use them would be respected. The African Group (all the African members of the WTO) were among the members pushing for clarification.

A large part of this was settled at the Doha Ministerial Conference in November 2001.

In the main Doha Ministerial Declaration of 14 November 2001, ministers stressed that it is important to implement and interpret the TRIPS Agreement in a way that supports public health — by promoting both access to existing medicines and the creation of new medicines.

They therefore adopted a separate declaration on TRIPS and Public Health. They agreed that the TRIPS Agreement does not and should not prevent members from taking measures to protect public health.

They underscored countries’ ability to use the flexibilities that are built into the TRIPS Agreement, including compulsory licensing and parallel importing.

And they agreed to extend exemptions on pharmaceutical patent protection for least-developed countries until 2016. (The TRIPS Council completed the legal drafting task on this in mid-2002, see press release 301.

On one remaining question, they assigned further work to the TRIPS Council — to sort out how to provide extra flexibility, so that countries unable to produce pharmaceuticals domestically can import patented drugs made under compulsory licensing. (This is sometimes called the “Paragraph 6” issue, because it comes under that paragraph in the separate Doha declaration on TRIPS and health.)

Article 31(f) of the TRIPS Agreement says products made under compulsory licensing must be “predominantly for the supply of the domestic market”. This applies directly to countries that can manufacture drugs — it limits the amount they can export when the drug is made under compulsory licence. And it has an indirect impact on countries unable to make medicines and therefore wanting to import generics. They would find it difficult to find countries that can supply them with drugs made under compulsory licensing.

Members were deadlocked over how to resolve this question, and the original deadline of 31 December 2002 was missed.

The decision back to top

This 30 August 2003 agreement allows any member country to export pharmaceutical products made under compulsory licences within the terms set out in the decision (text below). All WTO member countries are eligible to import under this decision, but 23 developed countries are listed in the decision as announcing voluntarily that they will not use the system to import.

A separate statement by General Council chairperson Carlos Pérez del Castillo, Uruguay's ambassador, is designed to provide comfort to those who feared that the decision might be abused and undermine patent protection. The statement (see below) describes members' "shared understanding" on how the decision is interpreted and implemented. It says the decision will be used in good faith in order to deal with public health problems and not for industrial or commercial policy objectives, and that issues such as preventing the medicines getting into the wrong hands are important.

A number of other countries announced separately that if they use the system it would only be for emergencies or extremely urgent situations. They are: Hong Kong China, Israel, Korea, Kuwait, Macao China, Mexico, Qatar, Singapore, Chinese Taipei, Turkey and United Arab Emirates

The decision covers patented products or products made using patented processes in the pharmaceutical sector, including active ingredients and diagnostic kits.

It is designed to address the public health problems recognized in Paragraph 1 of the Doha Declaration on TRIPS and Public Health, which says that WTO ministers "recognize the gravity of the public health problems afflicting many developing and least-developed countries, especially those resulting from HIV/AIDS, tuberculosis, malaria and other epidemics."

The decision takes the form of an interim waiver, which allows countries producing generic copies of patented products under compulsory licences to export the products to eligible importing countries. The waiver would last until the WTO's intellectual property agreement is amended.

The negotiations on the decision were conducted by the chairpersons of the TRIPS Council: Ambassador Eduardo Pérez Motta of Mexico (2002) and Ambassador Vanu Gopala Menon of Singapore (2003).

The text of the decision and the General Council chairperson's statement follow.

> Decision on implementation of paragraph 6 of the Doha Declaration on the TRIPS Agreement and public health
> The General Council Chairperson's statement

For more information, go to the WTO website:
> The Doha Declaration on TRIPS and Public Health
> The Doha Declaration explained
> TRIPS and pharmaceutical patents

3. Geographical Indication

http://www.wto.org/english/tratop_e/trips_e/gi_background_e.htm

TRIPS: GEOGRAPHICAL INDICATIONS

Background and the current situation

Geographical indications are place names (in some countries also words associated with a place) used to identify the origin and quality, reputation or other characteristics of products (for example, “Champagne”, “Tequila” or “Roquefort”).
Two issues are debated in the TRIPS Council under the Doha mandate: creating a multilateral register for wines and spirits; and extending the higher (Article 23) level of protection beyond wines and spirits.

Geographical indications in general back to top

Geographical indications are place names (in some countries also words associated with a place) used to identify the origin and quality, reputation or other characteristics of products (for example, “Champagne”, “Tequila” or “Roquefort”). Protection required under the TRIPS Agreement is defined in two articles.

All products are covered by **Article 22**, which defines a **standard level of protection**. This says geographical indications have to be protected in order to avoid misleading the public and to prevent unfair competition.

Article 23 provides a **higher or enhanced level of protection** for geographical indications for **wines and spirits** (subject to a number of exceptions, they have to be protected even if misuse would not cause the public to be misled). A number of countries want to extend this level of protection to a wide range of other products, including food and handicrafts. Among the exceptions that the agreement allows are: when a name has become a common (or “generic”) term (for example, “cheddar” now refers to a particular type of cheese not necessarily made in Cheddar, in the UK), and when a term has already been registered as a trademark (for example, in Italy “Parma” is a type of ham from the region of the city of Parma, but in Canada it is a registered trademark for ham made by a Canadian company).

Information that members have supplied during a fact-finding exercise shows that countries employ a wide variety of legal means to protect geographical indications: ranging from specific geographical indications laws to trademark law, consumer protection law, or common law. The TRIPS Agreement and current TRIPS work in the WTO takes account of that diversity.

Two issues are debated under the Doha mandate: creating a **multilateral register for wines and spirits**; and **extending the higher (Article 23) level of protection** beyond wines and spirits. Both are as contentious as any other subject on the Doha agenda.

The multilateral register for wines and spirits back to top

This negotiation, which takes place in dedicated "special sessions" of the TRIPS Council, deals with wines and spirits, which are given a higher level of protection for geographical indications (TRIPS Article 23) than other products (which are protected under Article 22). This means the wines' and spirits' names should, in principle, be protected even if there is no risk of misleading consumers or of unfair competition.

The negotiations for creating a multilateral register for geographical indications for wines and spirits are required under Article 23.4 of the TRIPS Agreement. Work began in July 1997, but the negotiations are now under the Doha Agenda (the Doha Declaration's paragraph 18). They are separate from the question of whether the higher level of protection given to wines and spirits should be extended to other products, although some countries have said they want the higher level of protection to be extended to other products and the register to cover those other products.

The Doha mandate

The WTO TRIPS Council had already started work on a multilateral registration system for geographical indications for wines and spirits over four years before the Doha meeting. The Doha Declaration sets a deadline for completing the negotiations: the Fifth Ministerial Conference in 2003.

Since then …

Two sets of proposals have been submitted over the years, representing the two main lines of argument in the negotiations. The latest are (documents downloadable from Documents Online http://docsonline.wto.org on the WTO website):

- The "**joint paper**", documents: **TN/IP/W/5** from Argentina, Australia, Canada, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Japan, Namibia, New Zealand, the Philippines, Chinese Taipei and the US; and **TN/IP/W/6**, a communication from Argentina, Australia, Canada, Chile, New Zealand and the US.

  This group proposes a voluntary system where notified geographical indications would be registered in a database. Those governments choosing to participate would have to consult the database when taking decisions on protection in their countries. Non-participating members would be "encouraged" but "not obliged" to consult the database.

- The "**EU proposal**" (document **IP/C/W/107/Rev.1**) whose objectives have been supported in document **TN/IP/W/3** signed by Bulgaria, Cyprus, the Czech Republic, the EU, Georgia, Hungary, Iceland, Malta, Mauritius, Moldova, Nigeria, Romania, the Slovak Republic, Slovenia, Sri Lanka, Switzerland and Turkey.

> This proposes that the registration would establish a "presumption" that the geographical indication is to be protected in all other countries — a presumption that can be challenged on certain grounds. The TRIPS Agreement allows some exceptions to the obligation to protect geographical indications, for example if a term has become generic or if it does not fit the definition of a geographical indication. Under the EU proposal, once a term has been registered, no country could refuse protection on these grounds, unless it had challenged the term within 18 months.
>
> Hungary has a slightly modified proposal with an arbitration system to settle differences (document **IP/C/W/255**)

Hong Kong, China has recently proposed a compromise in which registering a term would enjoy a less limited "presumption" in participating countries than under the EU proposal (document **TN/IP/W/8**).

The Secretariat has produced a document compiling the various positions so far: **TN/IP/W/7/Rev.1**, dated 23 May 2003 (with a correction, **TN/IP/W/7/Rev.1/Corr.1** dated 20 June), also available on Documents Online (http://docsonline.wto.org).

At the heart of the debate are a number of key questions. What legal effect, if any, would a registration system need to have within member countries, if the register is to serve the purpose of "facilitating protection" (the phrase used in Article 23.4)? And to what extent, if at all, should the effect apply to countries not participating in the system. There is also the question of the administrative and financial costs for individual governments and whether they would outweigh the possible benefits.

Opinions are strongly held on both sides of the debate, with some highly detailed arguments presented by both sides.

The draft text

The chairperson circulated a "draft text" on 16 April 2003. This was discussed for the first time at the 29–30 April meeting and continued in June and July. Where members differ strongly, the text includes options, A, B, and B1 and B2.
"A" represents the "joint paper" (TN/IP/W/5) by the US, Canada, Australia, Chile, Argentina, Japan and others (full list above).
"B" represents the Europeans. This is further split into two variants:
"B1": the EU version, where a challenge is handled by bilateral consultations. If the question remains unresolved, the challenging country does not have to protect the geographical indication.
"B2": the Hungarian proposal (supported by Switzerland), which proposes settling unresolved challenges by arbitration.
As an idea of what the paper contains, its headings are:

- Preamble
- Participation
- Notification (substantive conditions, contents, language, form, circulation and publication)
- Registration (with options A, B, B1 and B2 on challenge, etc)
- Legal effects in participating members (with options A, B, B1 and B2)
- Legal effects in non-participating members (with options A, B, B1 and B2)
- Legal effects in least-developed country members
- Modifications of notifications and registrations
- Withdrawals
- Fees and costs
- Contact point

Headings not yet containing draft text deal with: the committee or other body responsible for the system, the administering body (e.g. the WTO or WIPO Secretariat), how to withdraw from the system, reviews, and when the system would start to operate.

Since the June meeting, the chairperson has continued consultations. The deadline for agreement is the Cancún Ministerial Conference.

Extending the "higher level of protection" beyond wines and spirits back to top

A number of countries want to negotiate extending to other products the higher level of protection (Article 23) currently given to wines and spirits. Others oppose the move, and the debate in the TRIPS Council has included the question of whether the Doha Declaration provides a mandate for negotiations.

The issue is linked to the agriculture negotiations. Some countries have said that progress in this aspect of geographical indications would make it easier for them to agree to a significant deal in agriculture. Others reject the view that the Doha Declaration makes this part of the balance of the negotiations. At the same time, the European Union has also proposed negotiating the protection of specific names of specific agricultural products as part of the agriculture negotiations.

The Doha mandate

The Doha Declaration notes that the TRIPS Council will handle this under the declaration's paragraph 12 (which deals with implementation issues). Paragraph 12 says "negotiations on outstanding implementation issues shall be an integral part" of the Doha work programme. Where there is not a specific negotiating mandate in the Doha Declaration, implementation issues "shall be addressed as a matter of priority by the relevant WTO bodies, which shall report to the Trade Negotiations Committee [TNC], established under paragraph 46 below, by the end of 2002 for appropriate action."

Delegations interpret Paragraph 12 differently. Many developing and European countries argue that the so-called outstanding implementation issues are already part of the

negotiation and its package of results (the “single undertaking”). Others argue that these issues can only become negotiating subjects if the Trade Negotiations Committee decides to include them in the talks — and so far it has not done so.

Since then …

This difference of opinion over the mandates means that the discussions have had to be organized carefully. At first they continued in the TRIPS Council. More recently (in 2003), they have been the subject of informal consultations chaired by Director-General Supachai Panitchpakdi.

Members remain deeply divided, with no conclusion in sight, although they are ready to continue discussing the issue.

Those advocating the extension (including Bulgaria, China, the Czech Republic, the EU, Hungary, Liechtenstein, Kenya, Mauritius, Nigeria, Pakistan, the Slovak Republic, Slovenia, Sri Lanka, Switzerland, Thailand and Turkey) see the higher level of protection as a means of marketing their products, and they object to other countries “usurping” their terms.

Those opposing extension argue that the existing (Article 22) level of protection is adequate, and that providing enhanced protection would be expensive. They also reject the “usurping” accusation particularly when migrants have taken the methods of making the products and the names with them to their new homes. For this reason, the debate has been described as one between “old world” and “new world” countries. But the description is not entirely accurate since the countries opposing extension include Japan, Chinese Taipei, and some Southeast Asian countries as well as the US, Canada, Australia, New Zealand, Argentina and a number of other Latin American countries.

4. World Intellectual Property Organization (WIPO)

http://www.wto.org/english/tratop_e/trips_e/intel3_e.htm

TRIPS: COOPERATION

Agreement between the World Intellectual Property Organization and the World Trade Organization

To facilitate the implementation of the TRIPS Agreement, the Council for TRIPS concluded with WIPO an agreement on cooperation between WIPO and the WTO, which came into force on 1 January 1996. As explicitly set out in the Preamble to the TRIPS Agreement, the WTO desires a mutually supportive relationship with WIPO. The Agreement provides cooperation in three main areas, namely notification of, access to and translation of national laws and regulations, implementation of procedures for the protection of national emblems, and technical cooperation.

- Agreement between the World Intellectual Property Organization and the World Trade Organization
- World Intellectual Property Organization

5. Jurisprudence

5-1. India – Patent Protection (1997)

INDIA - PATENT PROTECTION FOR PHARMACEUTICAL AND AGRICULTURAL CHEMICAL PRODUCTS (WT/DS50/AB/R, 19 December 1997)
(…)

I.Introduction

1.India appeals from certain issues of law and legal interpretations in the Panel Report, India - Patent Protection for Pharmaceutical and Agricultural Chemical Products[1] (the "Panel Report"). The Panel was established to consider a complaint by the United States against India concerning the absence in India of either patent protection for pharmaceutical and agricultural chemical products under Article 27 of the Agreement on Trade-Related Aspects of Intellectual Property (the "TRIPS Agreement"), or of a means for the filing of patent applications for pharmaceutical and agricultural chemical products pursuant to Article 70.8 of the TRIPS Agreement and of legal authority for the granting of exclusive marketing rights for such products pursuant to Article 70.9 of the TRIPS Agreement (…)

2.The Panel Report was circulated to the Members of the World Trade Organization (the "WTO") on 5 September 1997. The Panel reached the following conclusions:

On the basis of the findings set out above, the Panel concludes that India has not complied with its obligations under Article 70.8(a) and, in the alternative, paragraphs 1 and 2 of Article 63 of the TRIPS Agreement, because it has failed to establish a mechanism that adequately preserves novelty and priority in respect of applications for product patents in respect of pharmaceutical and agricultural chemical inventions during the transitional period to which it is entitled under Article 65 of the Agreement, and to publish and notify adequately information about such a mechanism; and that India has not complied with its obligations under Article 70.9 of the TRIPS Agreement, because it has failed to establish a system for the grant of exclusive marketing rights.[2]
(…)

VI.Article 70.8

49.Article 70.8 states:

Where a Member does not make available as of the date of entry into force of the WTO Agreement patent protection for pharmaceutical and agricultural chemical products commensurate with its obligations under Article 27, that Member shall:

(a)notwithstanding the provisions of Part VI, provide as from the date of entry into force of the WTO Agreement a means by which applications for patents for such inventions can be filed;

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[1]WT/DS50/R, 5 September 1997.

[2]Panel Report, para. 8.1.

(b)apply to these applications, as of the date of application of this Agreement, the criteria for patentability as laid down in this Agreement as if those criteria were being applied on the date of filing in that Member or, where priority is available and claimed, the priority date of the application; and

(c)provide patent protection in accordance with this Agreement as from the grant of the patent and for the remainder of the patent term, counted from the filing date in accordance with Article 33 of this Agreement, for those of these applications that meet the criteria for protection referred to in subparagraph (b).

50.With respect to Article 70.8(a), the Panel found that:

... Article 70.8(a) requires the Members in question to establish a means that not only appropriately allows for the entitlement to file mailbox applications and the allocation of filing and priority dates to them, but also provides a sound legal basis to preserve novelty and priority as of those dates, so as to eliminate any reasonable doubts regarding whether mailbox applications and eventual patents based on them could be rejected or invalidated because, at the filing or priority date, the matter for which protection was sought was unpatentable in the country in question.3

51.In India's view, the obligations in Article 70.8(a) are met by a developing country Member where it establishes a mailbox for receiving, dating and storing patent applications for pharmaceutical and agricultural chemical products in a manner that properly allots filing and priority dates to those applications in accordance with paragraphs (b) and (c) of Article 70.8.4 India asserts that the Panel established an additional obligation "to create legal certainty that the patent applications and the eventual patents based on them will not be rejected or invalidated in the future".5 This, India argues, is a legal error by the Panel.
(…)
55.We agree with the Panel that "[t]he analysis of the ordinary meaning of these terms alone does not lead to a definitive interpretation as to what sort of ‘means’ is required by this subparagraph".6 Therefore, in accordance with the general rules of treaty interpretation set out in Article 31 of the Vienna Convention, to discern the meaning of the terms in Article 70.8(a), we must also read this provision in its context, and in light of the object and purpose of the TRIPS Agreement.

56.Paragraphs (b) and (c) of Article 70.8 constitute part of the context for interpreting Article 70.8(a). Paragraphs (b) and (c) of Article 70.8 require that the "means" provided by a Member under Article 70.8(a) must allow the filing of applications for patents for pharmaceutical and agricultural chemical products from 1 January 1995 and preserve the dates of filing and priority of those applications, so that the criteria for patentability may be applied as of those dates, and so that the patent protection eventually granted is dated back to the filing date. In this respect, we agree with the Panel that,

[3]Panel Report, para. 7.31.

[4]India's appellant's submission, pp. 4-5.

[5]India's appellant's submission, p. 5.

[6]Panel Report, para. 7.25.

... in order to prevent the loss of the novelty of an invention ... filing and priority dates need to have a sound legal basis if the provisions of Article 70.8 are to fulfil their purpose. Moreover, if available, a filing must entitle the applicant to claim priority on the basis of an earlier filing in respect of the claimed invention over applications with subsequent filing or priority dates. Without legally sound filing and priority dates, the mechanism to be established on the basis of Article 70.8 will be rendered inoperational.7

57.On this, the Panel is clearly correct. The Panel's interpretation here is consistent also with the object and purpose of the TRIPS Agreement. The Agreement takes into account, inter alia, "the need to promote effective and adequate protection of intellectual property rights".8 We believe the Panel was correct in finding that the "means" that the Member concerned is obliged to provide under Article 70.8(a) must allow for "the entitlement to file mailbox applications and the allocation of filing and priority dates to them".9 Furthermore, the Panel was correct in finding that the "means" established under Article 70.8(a) must also provide "a sound legal basis to preserve novelty and priority as of those dates".10 These findings flow inescapably from the necessary operation of paragraphs (b) and (c) of Article 70.8.

58.However, we do not agree with the Panel that Article 70.8(a) requires a Member to establish a means "so as to eliminate any reasonable doubts regarding whether mailbox applications and eventual patents based on them could be rejected or invalidated because, at the filing or priority date, the matter for which protection was sought was unpatentable in the country in question".11 India is entitled, by the "transitional arrangements" in paragraphs 1, 2 and 4 of Article 65, to delay application of Article 27 for patents for pharmaceutical and agricultural chemical products until 1 January 2005. In our view, India is obliged, by Article 70.8(a), to provide a legal mechanism for the filing of mailbox applications that provides a sound legal basis to preserve both the novelty of the inventions and the priority of the applications as of the relevant filing and priority dates. No more.

59.But what constitutes such a sound legal basis in Indian law? To answer this question, we must recall first an important general rule in the TRIPS Agreement. Article 1.1 of the TRIPS Agreement states, in pertinent part:

... Members shall be free to determine the appropriate method of implementing the provisions of this Agreement within their own legal system and practice.

Members, therefore, are free to determine how best to meet their obligations under the TRIPS Agreement within the context of their own legal systems. And, as a Member, India is "free to determine the appropriate method of implementing" its obligations under the TRIPS Agreement within the context of its own legal system.

60.India insists that it has done that. India contends that it has established, through "administrative instructions"12, a "means" consistent with Article 70.8(a) of the TRIPS

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[7]Panel Report, para. 7.28.

[8]Preamble to the *TRIPS Agreement*.

[9]Panel Report, para. 7.31.

[10]Panel Report, para. 7.31.

[11]*Ibid*.

[12]This is India's term for its measure. India's appellant's submission, p. 10.

Agreement. According to India, these "administrative instructions" establish a mechanism that provides a sound legal basis to preserve the novelty of the inventions and the priority of the applications as of the relevant filing and priority dates consistent with Article 70.8(a) of the TRIPS Agreement. According to India, pursuant to these "administrative instructions", the Patent Office has been directed to store applications for patents for pharmaceutical and agricultural chemical products separately for future action pursuant to Article 70.8, and the Controller General of Patents Designs and Trademarks ("the Controller") has been instructed not to refer them to an examiner until 1 January 2005. According to India, these "administrative instructions" are legally valid in Indian law13, as they are reflected in the Minister's Statement to Parliament of 2 August 1996.14 And, according to India:

There is ... absolute certainty that India can, when patents are due in accordance with subparagraphs (b) and (c) of Article 70.8, decide to grant such patents on the basis of the applications currently submitted and determine the novelty and priority of the inventions in accordance with the date of these applications.15 (emphasis added)

61.India has not provided any text of these "administrative instructions" either to the Panel or to us.

62.Whatever their substance or their import, these "administrative instructions" were not the initial "means" chosen by the Government of India to meet India's obligations under Article 70.8(a) of the TRIPS Agreement. The Government of India's initial preference for establishing a "means" for filing mailbox applications under Article 70.8(a) was the Patents (Amendment) Ordinance (the "Ordinance"), promulgated by the President of India on 31 December 1994 pursuant to Article 123 of India's Constitution. Article 123 enables the President to promulgate an ordinance when Parliament is not in session, and when the President is satisfied "that circumstances exist which render it necessary for him to take immediate action". India notified the Ordinance to the Council for TRIPS, pursuant to Article 63.2 of the TRIPS Agreement, on 6 March 1995.16 In accordance with the terms of Article 123 of India's Constitution, the Ordinance expired on 26 March 1995, six weeks after the reassembly of Parliament. This was followed by an unsuccessful effort to enact the Patents (Amendment) Bill 1995 to implement the contents of the Ordinance on a permanent basis.17 This Bill was introduced in the Lok Sabha (Lower House) in March 1995. After being passed by the Lok Sabha, it was referred to a Select Committee of the Rajya Sabha (Upper House) for examination and report. However, the Bill was subsequently not enacted due to the dissolution of Parliament on 10 May 1996. From these actions, it is apparent that the Government of India initially considered the enactment of amending legislation to be necessary in order to implement its obligations under Article 70.8(a). However, India maintains that the "administrative instructions" issued in April 1995 effectively continued the mailbox system established by the Ordinance, thus obviating the need for a formal amendment to the Patents Act or for a new notification to the Council for TRIPS.18

[13]Response by India to questioning at the oral hearing.

[14]Panel Report, Annex 2.

[15]India's appellant's submission, p. 8.

[16]IP/N/1/IND/1, 8 March 1995.

[17]We note that an Expert Group advised the Indian Government that a formal legal basis was required to make the mailbox system valid under Indian law. See Panel Report, para. 7.36.

[18]Response of India to questioning at the oral hearing.

63.With respect to India's "administrative instructions", the Panel found that "the current administrative practice creates a certain degree of legal insecurity in that it requires Indian officials to ignore certain mandatory provisions of the Patents Act"19; and that "even if Patent Office officials do not examine and reject mailbox applications, a competitor might seek a judicial order to do so in order to obtain rejection of a patent claim".20

64.India asserts that the Panel erred in its treatment of India's municipal law because municipal law is a fact that must be established before an international tribunal by the party relying on it. In India's view, the Panel did not assess the Indian law as a fact to be established by the United States, but rather as a law to be interpreted by the Panel. India argues that the Panel should have given India the benefit of the doubt as to the status of its mailbox system under Indian domestic law. India claims, furthermore, that the Panel should have sought guidance from India on matters relating to the interpretation of Indian law.21

65.In public international law, an international tribunal may treat municipal law in several ways.22 Municipal law may serve as evidence of facts and may provide evidence of state practice. However, municipal law may also constitute evidence of compliance or non-compliance with international obligations. For example, in Certain German Interests in Polish Upper Silesia, the Permanent Court of International Justice observed:

It might be asked whether a difficulty does not arise from the fact that the Court would have to deal with the Polish law of July 14th, 1920. This, however, does not appear to be the case. From the standpoint of International Law and of the Court which is its organ, municipal laws are merely facts which express the will and constitute the activities of States, in the same manner as do legal decisions and administrative measures. The Court is certainly not called upon to interpret the Polish law as such; but there is nothing to prevent the Court's giving judgment on the question whether or not, in applying that law, Poland is acting in conformity with its obligations towards Germany under the Geneva Convention.23 (emphasis added)

66.In this case, the Panel was simply performing its task in determining whether India's "administrative instructions" for receiving mailbox applications were in conformity with India's obligations under Article 70.8(a) of the TRIPS Agreement. It is clear that an examination of the relevant aspects of Indian municipal law and, in particular, the relevant provisions of the Patents Act as they relate to the "administrative instructions", is essential to determining whether India has complied with its obligations under Article 70.8(a). There was simply no way for the Panel to make this determination without engaging in an examination of Indian law. But, as in the case cited above before the Permanent Court of International Justice, in this case, the Panel was not interpreting Indian law "as such"; rather, the Panel was examining Indian law solely for the purpose of determining whether India had met its obligations under the TRIPS Agreement. To say that the Panel should have done otherwise would be to say that only India can assess whether Indian law is consistent with India's obligations under the WTO Agreement. This, clearly, cannot be so.

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[19]Panel Report, para. 7.35.

[20]Panel Report, para. 7.37.

[21]India's appellant's submission, pp. 13 and 15.

[22]See, for example, I. Brownlie, *Principles of Public International Law*, 4th ed. (Clarendon Press, 1990), pp. 40-42.

[23][1926], PCIJ Rep., Series A, No. 7, p. 19.

67.Previous GATT/WTO panels also have conducted a detailed examination of the domestic law of a Member in assessing the conformity of that domestic law with the relevant GATT/WTO obligations. For example, in United States - Section 337 of the Tariff Act of 1930[24], the panel conducted a detailed examination of the relevant United States' legislation and practice, including the remedies available under Section 337 as well as the differences between patent-based Section 337 proceedings and federal district court proceedings, in order to determine whether Section 337 was inconsistent with Article III:4 of the GATT 1947. This seems to us to be a comparable case.

68.And, just as it was necessary for the Panel in this case to seek a detailed understanding of the operation of the Patents Act as it relates to the "administrative instructions" in order to assess whether India had complied with Article 70.8(a), so, too, is it necessary for us in this appeal to review the Panel's examination of the same Indian domestic law.

69.To do so, we must look at the specific provisions of the Patents Act. Section 5(a) of the Patents Act provides that substances "intended for use, or capable of being used, as food or as medicine or drug" are not patentable. "When the complete specification has been led in respect of an application for a patent", section 12(1) requires the Controller to refer that application and that specification to an examiner. Moreover, section 15(2) of the Patents Act states that the Controller "shall refuse" an application in respect of a substance that is not patentable. We agree with the Panel that these provisions of the Patents Act are mandatory.[25] And, like the Panel, we are not persuaded that India's "administrative instructions" would prevail over the contradictory mandatory provisions of the Patents Act.[26] We note also that, in issuing these "administrative instructions", the Government of India did not avail itself of the provisions of section 159 of the Patents Act, which allows the Central Government "to make rules for carrying out the provisions of [the] Act" or section 160 of the Patents Act, which requires that such rules be laid before each House of the Indian Parliament. We are told by India that such rulemaking was not required for the "administrative instructions" at issue here. But this, too, seems to be inconsistent with the mandatory provisions of the Patents Act.

70.We are not persuaded by India's explanation of these seeming contradictions. Accordingly, we are not persuaded that India's "administrative instructions" would survive a legal challenge under the Patents Act. And, consequently, we are not persuaded that India's "administrative instructions" provide a sound legal basis to preserve novelty of inventions and priority of applications as of the relevant filing and priority dates.

71.For these reasons, we agree with the Panel's conclusion that India's "administrative instructions" for receiving mailbox applications are inconsistent with Article 70.8(a) of the TRIPS Agreement.
(…)

VII.Article 70.9

76.Article 70.9 of the TRIPS Agreement reads:

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[24]Adopted 7 November 1989, BISD 36S/345.

[25]Panel Report, para. 7.35.

[26]Panel Report, para. 7.37.

> Where a product is the subject of a patent application in a Member in accordance with paragraph 8(a), exclusive marketing rights shall be granted, notwithstanding the provisions of Part VI, for a period of five years after obtaining marketing approval in that Member or until a product patent is granted or rejected in that Member, whichever period is shorter, provided that, subsequent to the entry into force of the WTO Agreement, a patent application has been filed and a patent granted for that product in another Member and marketing approval obtained in such other Member.

77.With respect to Article 70.9, the Panel found:

> Based on customary rules of treaty interpretation, we have reached the conclusion that under Article 70.9 there must be a mechanism ready for the grant of exclusive marketing rights at any time subsequent to the date of entry into force of the WTO Agreement.27

78.India argues that Article 70.9 establishes an obligation to grant exclusive marketing rights for a product that is the subject of a patent application under Article 70.8(a) after all the other conditions specified in Article 70.9 have been fulfilled.28 India asserts that there are many provisions in the TRIPS Agreement that, unlike Article 70.9, explicitly oblige Members to change their domestic laws to authorize their domestic authorities to take certain action before the need to take such action actually arises.29 India maintains that the Panel's interpretation of Article 70.9 has the consequence that the transitional arrangements in Article 65 allow developing country Members to postpone legislative changes in all fields of technology except the most "sensitive" ones, pharmaceutical and agricultural chemical products. India claims that the Panel turned an obligation to take action in the future into an obligation to take action immediately.30

79.India's arguments must be examined in the light of Article XVI:4 of the WTO Agreement, which requires that:

> Each Member shall ensure the conformity of its laws, regulations and administrative procedures with its obligations as provided in the annexed Agreements.

80.Moreover, India acknowledged before the Panel and in this appeal that, under Indian law, it is necessary to enact legislation in order to grant exclusive marketing rights in compliance with the provisions of Article 70.9. This was already implied in the Ordinance, which contained detailed provisions for the grant of exclusive marketing rights in India effective 1 January 1995. However, with the expiry of the Ordinance on 26 March 1995, no legal basis remained, and with

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[27]Panel Report, para. 7.60.

[28]India's appellant's submission, p. 19.

[29]*Ibid*.; for example, India asserts that according to Articles 42-48 of the *TRIPS Agreement*, the judicial authorities of Members "shall have the authority" to grant certain rights. Article 51 obliges Members to "adopt procedures" to enable right holders to prevent the release of counterfeited or pirated products from customs. Article 39.2 requires Members to give natural and legal persons "the possibility of preventing" the disclosure of information. According to Article 25.1 "Members shall provide for the protection" of certain industrial designs and Article 22.2 obliges Members to "provide the legal means for interested parties to prevent" certain misuses of geographical indications. India further asserts that a comparison of the terms of Article 70.9 with those of Article 27 according to which "patents shall be available" for inventions is revealing.

[30]India's appellant's submission, p. 21.

the failure to enact the Patents (Amendment) Bill 1995 due to the dissolution of Parliament on 10 May 1996, no legal basis currently exists, for the grant of exclusive marketing rights in India. India notified the Council for TRIPS of the promulgation of the Ordinance pursuant to Article 63.2 of the TRIPS Agreement31, but has failed as yet to notify the Council for TRIPS that the Ordinance has expired.

81.Given India's admissions that legislation is necessary in order to grant exclusive marketing rights in compliance with Article 70.9 and that it does not currently have such legislation, the issue for us to consider in this appeal is whether a failure to have in place a mechanism ready for the grant of exclusive marketing rights, effective as from the date of entry into force of the WTO Agreement, constitutes a violation of India's obligations under Article 70.9 of the TRIPS Agreement.

82.By its terms, Article 70.9 applies only in situations where a product patent application is filed under Article 70.8(a). Like Article 70.8(a), Article 70.9 applies "notwithstanding the provisions of Part VI". Article 70.9 specifically refers to Article 70.8(a), and they operate in tandem to provide a package of rights and obligations that apply during the transitional periods contemplated in Article 65. It is obvious, therefore, that both Article 70.8(a) and Article 70.9 are intended to apply as from the date of entry into force of the WTO Agreement.

83.India has an obligation to implement the provisions of Article 70.9 of the TRIPS Agreement effective as from the date of entry into force of the WTO Agreement, that is, 1 January 1995. India concedes that legislation is needed to implement this obligation. India has not enacted such legislation. To give meaning and effect to the rights and obligations under Article 70.9 of the TRIPS Agreement, such legislation should have been in effect since 1 January 1995.

84.For these reasons, we agree with the Panel that India should have had a mechanism in place to provide for the grant of exclusive marketing rights effective as from the date of entry into force of the WTO Agreement, and, therefore, we agree with the Panel that India is in violation of Article 70.9 of the TRIPS Agreement.
(…)

[31]IP/N/1/IND/1, 8 March 1995.

5-2. Canada – Terms of Patent Protection (2000)

CANADA – TERM OF PATENT PROTECTION:
WT/DS170/AB/R, 18 September 2000

(…)

I.Introduction

(…)

2.The measure at issue in this dispute is Section 45 of Canada's *Patent Act*. Before 1 October 1989, Canada provided patent protection for a term of seventeen years from the date of grant of a patent. Canada changed the law, with effect from 1 October 1989, to provide patent protection for a term of twenty years from the date of filing of the application for a patent. However, no mechanism was provided in the legislation to allow for conversion from one system to the other.[32] Consequently, Section 44 of the *Patent Act* establishes the new rule for applications filed after 1 October 1989, while Section 45 maintains the seventeen year from grant rule for patent applications filed before 1 October 1989.[33]

3.Sections 44 and 45 of Canada's *Patent Act* read as follows:

> 44. Subject to Section 46[34], where an application for a patent is filed under this Act on or after October 1, 1989, the term limited for the duration of the patent is twenty years from the filing date.
>
> 45. Subject to Section 46, the term limited for the duration of every patent issued under this Act on the basis of an application filed before October 1, 1989, is seventeen years from the date on which the patent is issued.

4.Thus, Section 44 provides for a term of twenty years from the date of *application* for a patent for patent applications filed on or after 1 October 1989, while Section 45 provides for a term of seventeen years from the date of *grant* of a patent for patent applications filed before that date. Patents which are subject to Section 44 are commonly described in Canada as "New Act patents", while those subject to Article 45 are described as "Old Act patents". The Old Act patents are the subject of this dispute.

5.In accordance with Article 65.1 of the *TRIPS Agreement*, on 1 January 1996, the *TRIPS Agreement* became applicable for Canada. According to statistics provided by Canada, and

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[32]Panel Report, para. 2.4.

[33]By virtue of Section 27 of *An Act to Amend the Patent Act and to Provide for Certain Matters in Relation Thereto*, 17 November 1987, see paras. 2.2-2.5 of the Panel Report.

[34]Section 46 provides for the payment of maintenance fees to maintain the rights accorded by a patent once it has been issued. It further provides for the deemed expiry of the patent where those fees are in default. See Canada's appellant's submission, para. 11, footnote 9. See also Panel Report, para. 2.1, footnote 5.

uncontested by the United States, on 1 October 1996, 93,937 or just under 40 per cent of Old Act patents then in existence had terms that would, subject to the continued payment of the requisite maintenance fees, expire in less than twenty years measured from their respective application dates.[35] Furthermore, 66,936 or just under 40 per cent of these Old Act patents that were still in force on 1 January 2000 will, subject to the payment of annual maintenance fees, expire in less than twenty years measured from their respective application dates.[36]

6.In the Panel Report, circulated to WTO Members on 5 May 2000, the Panel concluded that:

> (i) the reference to "subject matter…which is protected" on the date of application of the *TRIPS Agreement* in Article 70.2 includes inventions that are currently protected by patents in accordance with Section 45 and that were protected by patents on 1 January 1996, and this is not affected by Article 70.1; and
>
> (ii) Section 45 of Canada's *Patent Act* does not make available a term of protection that does not end before 20 years from the date of filing as mandated by Article 33.[37]

(…)

III.Issues Raised in this Appeal

48.This appeal raises the following issues:

> (a) whether the Panel erred in concluding that Article 70.2, and not Article 70.1, of the *TRIPS Agreement* is applicable to inventions protected by Old Act patents on the date of application of the *TRIPS Agreement* for Canada, and that, therefore, the obligation in Article 33 to provide a term of protection of not less than twenty years from the date of filing is applicable to Old Act patents; and
>
> (b) whether the Panel erred in interpreting and applying Article 33 of the *TRIPS Agreement* and, in particular, in concluding that Section 45 of Canada's *Patent Act*, which provides a term of seventeen years from the date of grant for Old Act patents, is inconsistent with Article 33.

(…)

V.Articles 70.1 and 70.2 of the TRIPS Agreement

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[35]Panel Report, para. 2.7.

[36]*Ibid*., para. 2.9.

[37]Panel Report, para. 7.1.

50.Canada appeals the Panel's conclusion that Article 70.2, which addresses "subject matter existing … and which is protected" on the date of application of the *TRIPS Agreement* for a Member applies, in the case of Canada, to Old Act patents; and that Article 70.1, which addresses "acts which occurred" before that date, does not. Canada argues that the patent term obligation in Article 33 is, to use Canada's phrase, an "integral part"[38] of the "act" of filing a patent application and also the "act" of granting a patent. Canada argues that, with respect to Old Act patents, Article 33 thus becomes an obligation in respect of "acts which occurred" before the date of application of the *TRIPS Agreement* for Canada, and that, because of Article 70.1, the obligation in Article 33 does not apply. According to Canada, Articles 70.1 and 70.2 are not mutually exclusive, as shown by the "excepting language" at the beginning of Article 70.2 – "[e]xcept as otherwise provided for in this Agreement … ."[39]

51.The Panel rejected Canada's arguments. Looking first at Article 70.2, the Panel found that "subject matter existing … and which is protected" at the date of application of the *TRIPS Agreement* for Canada includes *inventions* protected by Old Act patents. Turning to Article 70.1, the Panel found that, as the protection accorded under Old Act patents in respect of inventions is a "situation which has not ceased to exist" at the date of application of the *TRIPS Agreement* for Canada, this situation cannot be related to "acts which occurred" before that date and thereby brought within the scope of Article 70.1 of the *TRIPS Agreement*.[40] The Panel found that Articles 70.1 and 70.2 are mutually exclusive, and that the clause "[e]xcept as otherwise provided in this Agreement …" in Article 70.2 does not refer to Article 70.1.[41] In the view of the Panel, any other interpretation would reduce Articles 70.6 and 70.7 to redundancy or inutility.[42] Finally, the Panel rejected Canada's argument that, while the other patent rights under the *TRIPS Agreement* may apply to inventions protected by Old Act patents, the patent term right alone under Article 33 does not. The Panel saw no textual or contextual legal basis for such a distinction in the *TRIPS Agreement*.[43]

52.In addressing this issue, we will proceed as follows. First, we will examine whether Article 70.1 provides that the obligations of the *TRIPS Agreement* do *not* apply to Old Act patents. Next, we will examine whether Article 70.2 provides that the obligations of the *TRIPS Agreement do* apply to Old Act patents. And, finally, we will examine whether, for the purposes of Article 70, the patent term obligation in Article 33 should be treated differently from other obligations under the *TRIPS Agreement*.

53.Canada claims that the Panel erred in finding that Article 70.1 does not prevent the obligations of the *TRIPS Agreement* from applying to Old Act patents. In addressing this issue, we look first, as always, at the text of the treaty provision, in accordance with the general rule of interpretation in Article 31 of the *Vienna Convention on the Law of Treaties* (the "*Vienna Convention*").[44] Article 70.1 states:

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[38]Oral statement of Canada at the Second Panel Meeting, para. 66, Panel Report, p. 145. See also response of Canada to question 37 from the Panel, Panel Report, p. 161.

[39]Canada's appellant's submission, para. 238.

[40]Panel Report, para. 6.41.

[41]*Ibid*., para. 6.44.

[42]*Ibid*., para. 6.48-6.49.

[43]*Ibid*., para. 6.52-6.54.

[44]Done at Vienna, 23 May 1969, 1155 U.N.T.S. 331; 8 International Legal Materials 679. We have previously confirmed this approach in Appellate Body Report, *United States – Standards for Conventional*

Article 70

Protection of Existing Subject Matter

> 1. This Agreement does not give rise to obligations *in respect of acts which occurred* before the date of application of the Agreement for the Member in question. (emphasis added)

54.Our main task is to give meaning to the phrase "acts which occurred before the date of application" and to interpret Article 70.1 harmoniously with the rest of the provisions of Article 70. We are of the view that the term "acts" has been used in Article 70.1 in its normal or ordinary sense of "things done", "deeds", "actions" or "operations". In the context of "acts" falling within the domain of intellectual property rights, the term "acts" in Article 70.1 may, therefore, encompass the "acts" of public authorities (that is, governments as well as their regulatory and administrative authorities) as well as the "acts" of private or third parties. Examples of the "acts" of public authorities may include, in the field of patents, the examination of patent applications, the grant or rejection of a patent, the revocation or forfeiture of a patent, the grant of a compulsory licence, the impounding by customs authorities of goods alleged to infringe the intellectual property rights of a holder, and the like.[45] Examples of "acts" of private or third parties may include "acts" such as the filing of a patent application, infringement or other unauthorized use of a patent, unfair competition, or abuse of patent rights.[46]

(…)

56.However, in the realm of intellectual property rights, it is of fundamental importance to distinguish between "acts" and the "rights" created by those "acts". In the field of patents, for example, the grant of a patent (which is clearly an "act") confers at least the following substantive rights on the grantee, according to the provisions of the *TRIPS Agreement*: national treatment (Article 3); most-favoured-nation treatment (Article 4); product and process patents being

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and Reformulated Gasoline, WT/DS2/AB/R, adopted 20 May 1996, p. 23; Appellate Body Report, *Japan – Taxes on Alcoholic Beverages*, WT/DS8/AB/R, WT/DS10/AB/R, WT/DS11/AB/R, adopted 1 November 1996, p. 12; and, most recently, in Appellate Body Report, *Argentina – Safeguard Measures on Imports of Footwear* ("*Argentina - Footwear Safeguards*"), WT/DS121/AB/R, adopted 12 January 2000, para. 81.

[45]Article 2 of the *TRIPS Agreement* provides, in pertinent part, that, with respect to Part II of the Agreement, which includes Section 5 relating to "Patents", "Members shall comply with Articles 1 through 12, and Article 19, of the *Paris Convention* (1967)", which is defined in footnote 2 of the *TRIPS Agreement* as the Stockholm Act of 14 July 1967 of the *Paris Convention for the Protection of Industrial Property*, done at Paris on 20 March 1883. Reference to various Articles of the *Paris Convention* that relate to patents will also show that patents are granted for protection of "inventions", and that inventions are the "*subject matter*" of patents. The word "acts" is mentioned in Article 4B of the *Paris Convention*, notably in the context of certain "acts" of third parties. This indicates to us that part of the wider context for such terms, as used in the *TRIPS Agreement*, is the way in which the same terms are used in the *Paris Convention* (1967). We note in the World Intellectual Property Organization (WIPO) treatise, Introduction to Intellectual Property, Theory and Practice (Kluwer Law International Ltd., 1997), a description of: "actions" by public authorities in relation to the grant and publication of patents (p. 134, paras. 7.78-7.85); and "invention" (p. 123, paras. 7.1). Similarly, we note also the descriptions in this WIPO treatise of "subject matter" as that term relates to patents (p. 124, para. 7.8). These descriptions are consistent with the interpretations we give to these terms in this Report.

[46]For examples discussed by the Panel, see Panel Report, para. 6.40.

available in all fields of technology; non-discrimination between imported and domestic products (Article 27.1); the term of protection (Article 33); and "reversal of burden of proof" in the case of process patents (Article 34).

57.With respect to Article 70.1, the crucial question for consideration before us is, therefore: if patents created by "acts" of public authorities under the Old Act continue to be in force on the date of application of the *TRIPS Agreement* for Canada (that is, on 1 January 1996), can Article 70.1 operate to exclude those patents from the scope of the *TRIPS Agreement*, on the ground that they were created by "acts which occurred" before that date?

58.The ordinary meaning of the term "acts" suggests that the answer to this question must be no. An "act" is something that is "done", and the use of the phrase "acts which occurred" suggests that what was done is now complete or ended. This excludes situations, including existing rights and obligations, that have *not* ended. Indeed, the title of Article 70, "Protection of Existing Subject Matter", confirms contextually that the focus of Article 70 is on bringing within the scope of the *TRIPS Agreement* "subject matter" which, on the date of the application of the Agreement for a Member, is existing and which meets the relevant criteria for protection under the Agreement.

59.A contrary interpretation would seriously erode the scope of the other provisions of Article 70, especially the explicit provisions of Article 70.2. Almost any existing situation or right can be said to have arisen from one or more past "acts". For example, virtually all contractual and property rights could be said to arise from "acts which occurred" in the past. If the phrase "acts which occurred" were interpreted to cover all *continuing* situations involving patents which were granted before the date of application of the *TRIPS Agreement* for a Member, including such rights as those under Old Act patents, then Article 70.1 would preclude the application of virtually the whole of the *TRIPS Agreement* to rights conferred by the patents arising from such "acts". This is not consistent with the object and purpose of the *TRIPS Agreement*, as reflected in the preamble of the Agreement.

60.We conclude, therefore, that Article 70.1 of the *TRIPS Agreement* cannot be interpreted to exclude existing rights, such as patent rights, even if such rights arose through acts which occurred before the date of application of the *TRIPS Agreement* for a Member. We, therefore, confirm the finding of the Panel that Article 70.1 does *not* exclude from the scope of the *TRIPS Agreement* Old Act patents that existed on the date of application of the *TRIPS Agreement* for Canada.

61.Canada also appeals the Panel's determination that Article 70.2 and, therefore, Article 33, applies to Old Act patents. We recall that the Panel first found that the "subject matter … which is protected" on the date of application of the *TRIPS Agreement* for Canada includes "inventions" protected by Old Act patents.[47] The Panel then found that, under Article 70.2, the *TRIPS Agreement* gives rise to obligations in respect of those patented inventions.[48] Canada does not contest that the "subject matter … which is protected" in this case is the patented inventions existing at the time the *TRIPS Agreement* became applicable for Canada. However, Canada does not accept that the obligation in Article 33 applies to Old Act patents.

62.We begin our examination of Article 70.2 with the text of the provision, which states:

[47]Panel Report, para. 6.36.

[48]*Ibid*.

Article 70

Protection of Existing Subject Matter

. . .

> 2. Except as otherwise provided for in this Agreement, this Agreement gives rise to obligations *in respect of all subject matter existing* at the date of application of this Agreement for the Member in question, and which is *protected* in that Member on the said date, or which meets or comes subsequently to meet the criteria for protection under the terms of this Agreement … (emphasis added)

63.In examining the text of this treaty provision, the first interpretative issue is whether Old Act patents are "subject matter existing … which is protected" on the date of application of the *TRIPS Agreement* for Canada. The second is to determine whether the clause "[e]xcept as otherwise provided", which qualifies Article 70.2, applies to the issue raised in this appeal. We deal with each of these issues in turn.

(…)

67.We now consider whether the qualifying provision at the beginning of Article 70.2 applies in this case. Article 70.2 begins with the words "Except as otherwise provided for in this Agreement". Canada argues that Article 70.1 constitutes an exception for "subject matter existing … and which is protected" on the date of application of the *TRIPS Agreement* for Canada; that Article 70.1 is, therefore, "otherwise provided", within the meaning of this qualifying provision; and that, accordingly, Article 70.1 overrides Article 70.2. Canada concludes, as a consequence, that the obligation in Article 33 does not apply to Old Act patents.

68.In addressing this issue, the Panel stated:

> Because we consider that the word "acts" and the term "subject matter" are different concepts with disparate meanings and the term "acts" as used in Article 70.1 refers only to discrete acts which predate the date of application of the *TRIPS Agreement* and not to subsequent acts to apply the Agreement, including to situations that have not ceased to exist on that date, there is no inconsistency between paragraphs 1 and 2 of Article 70. Article 70.1 therefore does not fall within the exception and does not set aside Article 70.2.[49]

69.Like the Panel, we see Articles 70.1 and 70.2 as dealing with two distinct and separate matters. The former deals with past "acts", while the latter deals with "subject matter" existing on the applicable date of the *TRIPS Agreement*. Article 70.1 of the *TRIPS Agreement* operates only to exclude obligations in respect of "acts which occurred" before the date of application of the *TRIPS Agreement*, but does *not* exclude rights and obligations in respect of *continuing*

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[49]Panel Report, para. 6.44.

situations. On the contrary, "subject matter existing … which is protected" is clearly a continuing situation, whether viewed as protected inventions, or as the patent rights attached to them. "Subject matter existing … which is protected" is not within the scope of Article 70.1, and, therefore, the "[e]xcept as otherwise provided for" clause in Article 70.2 can have no application to it. Thus, for the sake of argument, even if there is a relationship between Article 70.1 and the opening proviso in Article 70.2, Canada's argument with respect to Old Act patents fails nonetheless, as we have concluded that the continuing rights relating to Old Act patents do not fall within the scope of Article 70.1.

70.We wish to point out that our interpretation of Article 70 does not lead to a "retroactive" application of the *TRIPS Agreement*. Article 70.1 alone addresses "retroactive" circumstances, and it excludes them generally from the scope of the Agreement. The application of Article 33 to inventions protected under Old Act patents is justified under Article 70.2, not Article 70.1. A treaty applies to existing rights, even when those rights result from "acts which occurred" before the treaty entered into force.

71.This conclusion is supported by the general principle of international law found in the *Vienna Convention*, which establishes a presumption against the retroactive effect of treaties in the following terms:

Article 28

Non-retroactivity of treaties

> Unless a different intention appears from the treaty or is otherwise established, its provisions do not bind a party in relation to any act or fact which took place or any *situation which ceased to exist* before the date of the entry into force of the treaty with respect to that party. (emphasis added)[50]

72.Article 28 of the *Vienna Convention* covers not only any "act", but also any "fact" or "situation which ceased to exist". Article 28 establishes that, in the absence of a contrary intention, treaty provisions do *not* apply to "any situation which ceased to exist" before the treaty's entry into force for a party to the treaty. Logically, it seems to us that Article 28 also necessarily implies that, absent a contrary intention, treaty obligations *do* apply to any "situation" which has *not* ceased to exist – that is, to any situation that arose in the past, but continues to exist under the new treaty. Indeed, the very use of the word "situation" suggests something that subsists and continues over time; it would, therefore, include "subject matter existing … and which is protected", such as Old Act patents at issue in this dispute, even though those patents, and the rights conferred by those patents, arose from "acts which occurred" before the date of application of the *TRIPS Agreement* for Canada.

(…)

[50]We have endorsed this general principle of international law in Appellate Body Report, *Brazil – Measures Affecting Desiccated Coconut*, WT/DS22/AB/R, adopted 20 March 1997, p. 15, and in Appellate Body Report, *European Communities – Regime for the Importation, Sale and Distribution of Bananas*, WT/DS27/AB/R, adopted 25 September 1997, para. 235.

75.The Panel found that Article 70.2 makes the obligations of the *TRIPS Agreement* applicable to inventions protected by Old Act patents. Canada does not argue in this appeal that *none* of the obligations in the *TRIPS Agreement* relating to patent rights applies to Old Act patents. Canada argues, instead, that, although Article 70.2 may make *some* obligations under the *TRIPS Agreement* applicable to Old Act patents, Article 70.2 does not make the obligation in Article 33 relating to the *patent term* applicable to such patents. Thus, Canada seeks to distinguish the obligation to provide a particular patent term from the other obligations relating to patents in Section 5 of the *TRIPS Agreement*, notably those relating to exclusive rights in Article 28, by showing that the obligation to provide a patent term of not less than twenty years from the filing date, unlike the other obligations in Section 5, is an "integral part"[51] of the "acts" of granting and filing.

76.The Panel's description of Canada's argument, a description which Canada specifically endorses in its appellant's submission[52], is as follows:

> [U]nlike Article 33 which is temporal in nature because of its linkage of both the commencement and the expiry dates of the term of protection with the acts of filing and granting, the obligation in Article 28 does not depend upon the occurrence of any act. According to Canada, the operation of Article 28 depends solely upon a patent being in existence.[53]

Responding to this argument, the Panel said:

> Neither the textual nor the contextual reading of Section 5 of Part II supports the notion that one obligation can be detached from the patent issued to the right holder or that Members need not comply with all relevant *TRIPS* obligations in relation to them.[54]

77.We agree. Article 70.2 applies the obligations of the *TRIPS Agreement* to "all subject matter existing … and which is protected" on the date of application of the *TRIPS Agreement* for a Member. A Member is required, as from that date, to implement *all* obligations under the *TRIPS Agreement* in respect of such existing subject matter. This includes the obligation in Article 33. We see no basis in the text for isolating or insulating the obligation in Article 33 relating to the duration of a patent term from the other obligations relating to patents that are also found in Section 5 of the *TRIPS Agreement*. There is nothing whatsoever in Section 5 to indicate that the obligation relating to patent term in Article 33 differs in application in any respect from the other obligations in Section 5. An obligation that relates to duration must necessarily have a beginning and an end date. On that ground alone, it cannot be argued that the obligation is attached to, and arises uniquely from, certain "acts". Although Canada has not done so, it could just as easily be argued that the exclusive rights under Article 28 are also an "integral part" of the "act" of granting a patent, as those rights also can arise only from the grant and consequent existence of a patent.

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[51]Oral statement of Canada at the Second Panel Meeting, para. 66, Panel Report, p. 145. See also response of Canada to question 37 from the Panel, Panel Report, p. 161.

[52]Canada's appellant's submission, para. 222.

[53]Panel Report, para. 6.28.

[54]*Ibid*., para. 6.53.

(…)

VI.Article 33 of the TRIPS Agreement

(…)

84.We begin with the text of Article 33 of the *TRIPS Agreement*, which states:

> The term of protection available shall not end before the expiration of a period of *twenty years counted from the filing date*. (emphasis added)

(…)

86.Section 45 of Canada's *Patent Act* provides that:

> … the term limited for the duration of every patent issued under this Act on the basis of an application filed before October 1, 1989, is *seventeen years from the date on which the patent is issued*. (emphasis added).

87.The meaning of Section 45 is straightforward. Section 45 defines the term of patent protection in terms of the starting date (the date of "issue" of the patent) and of a duration (seventeen years). These terms are unambiguous. As a result, so too is the end date of patent protection. It is derived through simple calculation: the date of issue of the patent plus seventeen years.

88.Article 33 requires a Member to make a term of protection "available". Canada argues that Section 45 of its *Patent Act* makes "available", on a sound legal basis, a twenty-year term to every patent applicant because, under the Canadian regulatory practices and procedures, every patent applicant has statutory and other means to control and delay the patent-granting process. The Panel rejected this argument, and interpreted the word "available" in the following terms:

> *Black's Law Dictionary* defines the word "available" as "having sufficient force or efficacy; effectual; valid" and the word "valid" in turn means "having legal strength or force…incapable of being rightfully overthrown or set aside." The dictionary meaning of the word "available" would suggest that patent right holders are entitled, as a matter of *right*, to a term of protection that does not end before twenty years from the date of filing.[55]

89.The Panel concluded that:

> … the discretionary nature of both a patent examiner's authority to grant informal delays as well as the Commissioner's power to grant statutory delays so as to allow patent applicants to obtain a term of protection that does not end before 20 years from the date of filing does not make available, as a matter of right, to patent applicants a term of protection required by Article 33.[56]

[55]Panel Report, para. 6.102.

[56]*Ibid*., para. 6.109.

90.We agree with the Panel that, in Article 33 of the *TRIPS Agreement*, the word "available" means "available, as a matter of right", that is to say, available as a matter of legal right and certainty.

91.The key question for consideration with respect to the "availability" argument is, therefore, whether Section 45 of Canada's *Patent Act*, together with Canada's related regulatory procedures and practices, make available, as a matter of legal right and certainty, a term of protection of twenty years from the filing date for each and every patent. The answer is clearly in the negative, even without disputing the assertions made by Canada with respect to the many statutory and other informal means available to an applicant to control the patent process. The fact that the patent term required under Article 33 can be a by-product of possible delays in the patent-granting process does not imply that this term is available, as a matter of legal right and certainty, to each and every Old Act patent applicant in Canada.

(…)

101.Also, we note that our findings in this appeal do not in any way prejudge the applicability of Article 7 or Article 8 of the *TRIPS Agreement* in possible future cases with respect to measures to promote the policy objectives of the WTO Members that are set out in those Articles. Those Articles still await appropriate interpretation.

(…)

5-3. EU – Geographical Indications (GIs) (2005)

Eliza Patterson, ***WTO Panel Rules on Geographical Indications***, ASIL Insight, Apr. 19, 2005, http://www.asil.org/insights/2005/04/insights050419.html

In mid-March 2005, a World Trade Organization (WTO) panel ruled on a case of interest to many WTO members.[1] The case, brought by Australia and the United States, challenged the WTO consistency of a European Union (EU) regulation[2] related to the protection of geographical indications (GIs) for agricultural products and foodstuffs. The widespread interest stems from concern that at a time when WTO negotiations are focusing on liberalizing trade in agricultural products, the EU regulation effectively limits import competition for much of its farm and food sector.

Geographical indications are defined in the WTO TRIPS Agreement Article 22 as "indications which identify a good as originating in the territory of a Member, or a region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin." Only goods originating in the specified territory may bear the GI, which -- it is assumed -- gives them a competitive advantage.

The EU regulation at issue sets forth the requirements and procedures for registering GIs and the extent of intellectual property protection available to such registered GIs.
The concern of opponents of the regulation is that it effectively limits the use of GIs to products originating in the EU, thereby placing imports at a competitive disadvantage. While the WTO Panel found several aspects of the regulation to be WTO-inconsistent, it did not condemn the regulation as a whole but simply recommended that it be amended to correct the violations. Both sides to the dispute welcomed the ruling. The US and other opponents of the regulation say that such amendments will substantially address their concerns by making use of GIs available to products originating outside the EU as they are to those originating in the EU. For its part, the EU claimed victory because it will be allowed to maintain a system that limits the use, within the EU, of EU-origin indications to products that actually come from the named location. Many EU-origin indications currently are used outside the EU for non-EU-origin products having the same basic characteristics as EU-origin products, such as beaujolais wine, champagne and parmesan cheese. Under the EU regulation, only products actually originating in the indicated region may bea r the region's name when sold on the EU market.

The case is noteworthy not only for resolving an economically important controversy, but also as an illustration of the much-vaunted pragmatic nature of the WTO. The Panel refused to tie itself in knots trying to compare the famously vague, imprecise language of the WTO rules with the narrow technical language of the EU regulation. Rather, it evaluated the actual effect[3] of the regulation on the parties and the market in light of the purpose and intent of the WTO rules at issue.

The Panel found that the provisions of the regulation relating to the availability of GI protection and those relating to the procedures for obtaining GI protection discriminate

against products originating outside the EU. As such, they violate the national treatment obligation of both TRIPS Agreement and the GATT 1994.[4]

Regarding the availability of protection, the EU regulation provides that GIs for products originating in territory outside the EU may only be registered, and thus protected, if the government in whose territory the GI is located meets two conditions: it must adopt a system for GI protection that is equivalent to that in the EC and it must provide reciprocal protection to products from the EC. In the Panel's view meeting these two conditions was a burden and constituted "less favorable treatment" of non-EU products in violation of WTO rules.

As to the application procedures, the EU regulation provides that non-EU nationals seeking to register a GI located in the territory of non-EU state must obtain pre approval from their own government before applying to the European Commission. In contrast EU nationals seeking protection for EU-based GIs may go directly to the European Commission.

In a finding most WTO member nations, including the complainants in this case, presumably would applaud, the Panel found that the absence of representatives from non-EU states on the EU committee deciding on GI applications was not a violation of WTO rules. A contrary finding would have had implications for states' autonomy, a fact the Panel could not ignore.

The Panel also found no violation of WTO rules in the EU requirement that products bearing GIs from non-EU member states must be labeled as to country of origin whenever the protected name was identical to a community protected name. Once again the Panel focused on reality: in such a case the clear possibility of consumer confusion justified the different treatment.

Continuing to focus on the actual operation of the regulation, the Panel concluded that the regulation's provision allowing the co-existence of GIs and previously registered trademarks for the same region did not violate the TRIPS Agreement. The Panel agreed with Australia and the United States that TRIPS[5] requires that trademark owners be given the right to prevent use of subsequent GIs where confusion is likely to result. The Panel noted however that TRIPS[6] also provides that such right may be limited if the legitimate interests of the trademark owner and third parties are protected. Turning to the facts before it, the Panel pointed out that the relevant right of trademark owners and third parties was to prevent consumer confusion and there was no evidence that the co-existence of trademarks and subsequent GIs resulted in the likelihood of confusion. More than 600 GIs had been registered over an eight year period, but the complainants in this case had been able to identify only four instances in which the GI registration would result in a likelihood of confusion with a prior trademark.

Supporters of the WTO dispute resolution system presumably will applaud this case as illustrating the ability of WTO Panels to resolve politically charged, legally and technically complex, cases to the satisfaction of both disputants.

Endnotes
[1] Twelve WTO members filed third party arguments.
[2] Council Regulation (EEC) No.2081/92 of 14 July 1992.
[3] "Thrust and effect" in the panel's words.
[4] The National Treatment obligation under TRIPS requires that each WTO Member accord to the "nationals" of other WTO Members treatment no less favorable than it accords its own nationals. The National Treatment obligation of Article III of GATT 1994 requires equal treatment of products produced in another Member's territory. The Panel acknowledged that the differences in treatment accorded by the EU Regulation were not based on the nationality of the person seeking the protection, but rather on the location of the GI. Nevertheless the Panel found a violation of National Treatment obligations based on the effect of the Regulation. It noted that, while in theory non-EU nations might seek protection for GIs in the EU and EU nationals might seek protection for GIs outside the EU, in fact this was rarely the case. The Panel also acknowledged that although the regulations related to regions, not products, the benefit of a G I registration was to products and any hurdles to obtaining GI registration effectively constituted unfavorable treatment of products from that region.
[5] TRIPS Article 16.1.
[6] TRIPS Article 17.

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http://www.wto.org/english/tratop_e/dispu_e/dispu_e.htm

WORLD TRADE ORGANIZATION

WT/DS174/R
15 March 2005

(05-0955)

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

Complaint by the United States

Report of the Panel

(…)

I.INTRODUCTION

1.1.On 1 June 1999, the United States requested consultations[57] with the European Communities pursuant to Article 4 of the Understanding on Rules and Procedures Governing the Settlement of Disputes ("DSU") and Article 64 of the Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS Agreement") (to the extent that it incorporates by reference Article XXIII of the General Agreement on Tariffs and Trade 1994 ("GATT 1994") regarding 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. The United States and the European Communities held consultations on 9 July 1999, and thereafter, but these consultations failed to resolve the dispute.

II.FACTUAL ASPECTS

A.Measures at Issue

2.1.The measures at issue in this dispute are identified in the United States' request for establishment of a panel as Council Regulation (EEC) No. 2081/92 of 14 July 1992 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs, as amended, and its related implementing and enforcement measures.

(…)

VII.FINDINGS

(…)

B.National Treatment Claims

1.Availability of protection

(…)

(b)National treatment under the TRIPS Agreement

(i)Main arguments of the parties

7.104.The **United States** claims that the Regulation is inconsistent with Article 3.1 of the TRIPS Agreement and Article 2(1) of the Paris Convention (1967), as incorporated by Article 2.1 of the TRIPS Agreement, because it imposes conditions of *reciprocity* and *equivalence* on the availability of protection. National treatment requires protection of the intellectual property of other Members' nationals regardless of how those other Members treat their own nationals. National treatment does not allow a Member to require that other Members adopt particular standards or procedural rules as a condition for protecting their nationals' intellectual property. This is underscored by Article 1.1 of the TRIPS Agreement which provides that Members are not obligated to select any particular means of implementation over another. There is a wide variety of mechanisms used to implement the GI obligations and one Member cannot require a particular

[57] WT/DS174/1.

method of implementation as a condition for protecting the GI rights of other Members' nationals.[58]

7.105.The United States argues that the conditions in Article 12(1) of the Regulation apply to *nationals* because EC nationals are permitted to register their home-based EC GIs but U.S. nationals (and nationals of most other WTO Members) are currently not able to register their home-based U.S. GIs.[59] (…)

7.106.The United States argues that the conditions in Article 12(1) of the Regulation accord neither the *same protection* nor *no less favourable treatment* to non-EC nationals because they are currently unable to register their home-based GIs. The only way that they might be able to register home-based GIs in the European Communities is for their countries to grant reciprocal GI protection for agricultural products and foodstuffs from the European Communities and adopt an equivalent system of GI protection. The explicit purpose of the Regulation is to bestow significant commercial and competitive advantages through the registration of GIs, including higher profits, the right to use a label, rights to prevent uses by third parties, enforcement and guarantees against the GI becoming generic.[60] This amounts to a denial of "effective equality of opportunities" with respect to the protection of GIs.[61]

(…)

7.112.The European Communities argues that the conditions in Article 12(1) of the Regulation do not depend on *nationality*. The Regulation sets out two procedures for registration: one for geographical areas located within the European Communities and one for those located outside the European Communities. Whether the geographical area is located within or outside the European Communities is in no way linked to the question of the nationality of the producers concerned.[62] This may concern the origin of the product but has nothing to do with the nationality of the producer, which is simply of no relevance for the registration of the GI.[63] There are no legal requirements which ensure that applicants for GIs for geographical areas located in the European Communities are always, or usually, EC nationals.[64] There is no reason why a foreign national cannot produce products in accordance with a product specification in a GI registration located in the European Communities, and there are examples of foreign companies which have invested in the European Communities in this way.[65] If an applicant or user sets up a legal entity in the geographical area, that is simply a practical consequence of the fact that products must be produced in accordance with product specifications(…)

7.113.The European Communities argues that the existence of different procedures which apply according to location of geographical areas is not sufficient to show *less favourable treatment* but rather there must be a substantive difference between those provisions which entails less

[58] United States' first written submission, paras. 35, 42, 46, 48 and 49.
[59] United States' first written submission, paras. 59, 65 and 76. The United States also cites the GATT Panel report on *US – Malt Beverages* in support of an argument that it is not relevant that certain EC nationals with GIs based outside the EC might be faced with the same conditions because nationals of other WTO Members are entitled to the treatment accorded to the most-favoured EC nationals.
[60] United States' first written submission, paras. 58, 61 and 62; response to Panel question No. 31.
[61] United States' response to Panel question No. 101.
[62] European Communities' first written submission, paras. 123-126.
[63] European Communities' first oral statement, paras. 46-47; response to Panel question No. 106.
[64] European Communities' response to Panel question No. 22.
[65] European Communities' rebuttal submission, paras. 45-48; second oral statement, paras. 28-30; response to Panel question No. 106.

favourable treatment. A measure would have to modify the conditions regarding the protection of intellectual property rights within the meaning of the TRIPS Agreement to the detriment of foreign nationals.[66]

(…)

(iii)Consideration by the Panel

National treatment obligations in the TRIPS Agreement

(…)

7.124.Article 3.1 of the TRIPS Agreement provides as follows:

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

Less favourable treatment accorded to the nationals of other Members

Less favourable treatment

(…)

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

> "The examination of whether a measure involves 'less favourable treatment' of imported products within the meaning of Article III:4 of the GATT 1994 must be grounded in close scrutiny of the 'fundamental thrust and effect of the measure itself'. This examination cannot rest on simple assertion, but must be founded on a careful analysis of the contested measure and of its implications in the marketplace. At the same time, however, the examination need not be based on the *actual effects* of the contested measure in the marketplace."[67]

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

(…) 7.139.Although the parties disagree on whether the equivalence and reciprocity conditions in Article 12(1) of the Regulation discriminate in a manner inconsistent with the covered

[66] European Communities' second oral statement, paras. 39-41; response to Panel question No. 113.

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

agreements, it is not disputed that those conditions accord less favourable treatment to persons with interests in the *GIs* to which those conditions apply.[68] The Panel considers that those conditions modify the effective equality of opportunities to obtain protection with respect to intellectual property in two ways. First, GI protection is not available under the Regulation in respect of geographical areas located in third countries which the Commission has not recognized under Article 12(3). The European Communities confirms that the Commission has not recognized any third countries. Second, GI protection under the Regulation may become available if the third country in which the GI is located enters into an international agreement or satisfies the conditions in Article 12(1). Both of those requirements represent a significant "extra hurdle" in obtaining GI protection that does not apply to geographical areas located in the European Communities.[69] The significance of the hurdle is reflected in the fact that currently no third country has entered into such an agreement or satisfied those conditions.

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

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

(…) 7.197.The European Communities presented evidence intended to show that certain foreign nationals have actually obtained protection under the Regulation. The Panel notes that all its examples consist of a foreign national, or a corporation incorporated under the laws of an EC member State, that acquired another corporation incorporated under the laws of an EC member State, which produces products entitled to GI protection.[70] Those subsidiary corporations

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[68] United States' first written submission, paras. 57-60. Note that the European Communities asserts only that the product specifications and inspection regimes for individual GIs do not constitute less favourable treatment. With respect to the equivalence and reciprocity conditions, it asserts that it does not apply them and that they do not depend on nationality, but *not* that they do not accord less favourable treatment where they apply: see its first written submission, paras. 113-126, and paras. 62-69. It also concedes that they constitute less favourable treatment for the purposes of Article III:4 of GATT 1994, but does not consider that the meaning of the phrase is necessarily the same as in Article 3.1 of the TRIPS Agreement: see its responses to Panel question Nos. 94(a) and 113.

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

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

obtaining the benefit of protection appear to be the European Communities' own nationals, according to a place of incorporation test. Evidence is not available on the place of their company seat but such cases appear to be rare. This evidence confirms, rather than contradicts, the link between the treatment accorded to GIs located in the European Communities and EC nationality.

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

(…)

(c)National treatment under GATT 1994

(…)

(iii)Consideration by the Panel

7.226.The Panel notes that the European Communities concedes that the conditions of equivalence and reciprocity in Article 12(1) of the Regulation, if applied to WTO Members, are inconsistent with Article III:4 of GATT 1994.[71] Given that the Panel has found that the Regulation "as such" imposes those conditions on the registration of GIs located in other WTO Members, there is no longer any defence before the Panel to the claim that, in this respect, the Regulation is inconsistent with Article III:4 of GATT 1994. It suffices to recall below that the essential elements of an inconsistency with Article III:4 are all met in this claim. These elements are the following: that the imported and domestic products at issue are "like products"; that the measure at issue is a "law, regulation, or requirement affecting their internal sale, offering for sale, purchase, transportation, distribution, or use"; and that the imported products are accorded "less favourable" treatment than that accorded to like domestic products.[72]

(…) 7.238.Therefore, the Panel concludes that, with respect to the equivalence and reciprocity conditions, as applicable to the availability of protection, the Regulation accords less favourable treatment to imported products, inconsistently with Article III:4 of GATT 1994.[73]

(…)

C.Trademark Claim

1.The relationship between GIs and prior trademarks

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unreliable. See Exhibits EC-36, EC-61, EC-62, EC-63 and EC-89 and the United States' response to Panel question No. 102.

[71] European Communities' response to Panel question No. 94(a).

[72] These three elements are also set out in the Appellate Body report on *Korea – Various Measures on Beef* at para. 133.

[73] This conclusion is without prejudice to the Panel's examination of the inspection structures required for registration, considered later in this report.

(a)Introduction

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.[74] Its claim only concerns valid prior trademarks, not trademarks liable to invalidation because they lack distinctiveness or mislead consumers as to the origin of goods.[75] It does not dispute that GIs that are identical or similar to trademarks may be used, but only to the extent that they do not result in a likelihood of confusion with respect to prior trademarks.[76]

7.513.The **European Communities** responds that this claim is unfounded for several reasons: (1) Article 14(3) of the Regulation, in fact, prevents the registration of GIs, use of which would result in a likelihood of confusion with a prior trademark; (2) Article 24.5 of the TRIPS Agreement provides for the "coexistence" of GIs and prior trademarks; (3) Article 24.3 of the TRIPS Agreement requires the European Communities to maintain "coexistence"; and (4) in any event, Article 14(2) of the Regulation would be justified as a limited exception under Article 17 of the TRIPS Agreement.[77]

(…)7.515.The Panel will begin its examination of this claim by describing Article 14(2) of the Regulation and how the Regulation can, in principle, limit the rights of the owner of a trademark subject to Article 14(2) against the use of a GI. We will then assess whether Article 14(3) of the Regulation prevents a situation from occurring in which a trademark would be subject to Article 14(2). If Article 14(3) cannot prevent that situation from occurring, we will proceed to examine whether Article 16.1 of the TRIPS Agreement requires Members to make available to trademark owners the right to prevent confusing uses of signs, even where the signs are used as GIs. If it does, we will consider whether Article 24.5 provides authority to limit that right and, if Article 24.5 does not, conclude our examination by assessing whether Article 17 or Article 24.3 of the TRIPS Agreement permits or requires the European Communities to limit that right with respect to uses of signs used as GIs.

(b)Description of Article 14(2) of the Regulation

7.156.Article 13 of the Regulation sets out the protection conferred by registration of a GI under the Regulation. Paragraph 1 provides for the prevention of certain uses of the GI and other practices. These are negative rights to prevent, essentially, uses which are misleading as to the origin of a product or otherwise unfair.

7.517.Under the European Communities' domestic law, it is considered that the Regulation impliedly grants the positive right to use the GI in accordance with the product specification and other terms of its registration to the exclusion of any other sign. The European Communities explains, and the United States does not contest, that under the European Communities' domestic law, this positive right is implicit in several provisions, (…). Accordingly, under the European

[74] United States' first written submission, para. 170.
[75] United States' first oral statement, paras. 42-43.
[76] United States' rebuttal submission, para. 183.
[77] European Communities' first written submission, paras. 268-273.

Communities' domestic law, that positive right prevails over the rights of trademark owners to prevent the use of a sign that infringes trademarks.[78]

(…)

7.519.Article 14 of the Regulation governs the relationship of GIs and trademarks under Community law. Paragraph 1 deals with later trademarks. It provides for the refusal of trademark applications where use of the trademark would infringe the rights in a GI already registered under the Regulation. This, in effect, ensures that a registered *GI prevails over a later trademark*.

7.520.Paragraph 2 of Article 14 deals with prior trademarks. It provides as follows:

> "2. With due regard to Community law, a trademark the use of which engenders one of the situations indicated in Article 13 and which has been applied for, registered, or established by use, if that possibility is provided for by the legislation concerned, in good faith within the territory of the Community, before either the date of protection in the country of origin or the date of submission to the Commission of the application for registration of the designation of origin or geographical indication, may continue to be used notwithstanding the registration of a designation of origin or geographical indication, provided that no grounds for its invalidity or revocation exist as specified by Council Directive 89/194/EEC of 21 December 1998 to approximate the laws of the Member States relating to trade marks and/or Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark." [footnotes omitted]

7.521.This is an exception to Article 13, as it provides for the continued use of a prior trademark even though use of that trademark would conflict with the rights conferred by registration of a GI under the Regulation. It prevents the exercise of rights conferred by registration of a GI against the continued use of that particular prior trademark and is an express recognition that, in principle, *a GI and a trademark can coexist* under Community law. It is intended to implement Article 24.5 of the TRIPS Agreement.[79]

(…) 7.525.However, Article 159 of the Community Trademark Regulation, as amended[80], provides as follows:

> "This Regulation shall not affect Council Regulation (EEC) No. 2081/92 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs of 14 July 1992, and in particular Article 14 thereof." [original footnote omitted]

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[78] Confirmed in the European Communities' response to Panel question No. 139.

[79] Paragraph 11 of the recitals to the April 2003 amending Regulation explained that the dates referred to in Article 14(2) should be amended in line with Article 24.5 of the TRIPS Agreement: see Exhibit COMP-1h. Article 14(2) has been interpreted once by the European Court of Justice, in Case C-87/97, *Consorzio per la tutela del frommagio Gorgonzola v Käserai Champignon Hofmeister GmbH & Co Kg* [1999] ECR I-1301, concerning the trademark CAMBOZOLA for cheese and the GI "Gorgonzola". The opinion of the Advocate-General was submitted by the United States in Exhibit US-17 and the judgement of the Court was submitted by the European Communities in Exhibit EC-32.

[80] Article 142 of the original Council Regulation (EC) No. 40/94 was renumbered Article 159 by Article 156(5) of Council Regulation (EC) No. 1992/2003.

(…) 7.527.Accordingly, the trademark owner's right provided by trademark legislation in the implementation of Article 16.1 of the TRIPS Agreement, in principle, cannot be exercised against a person who uses a registered GI in accordance with its registration where the trademark is subject to Article 14(2) of the Regulation.

(…) 7.529.Paragraph 3 of Article 14 provides as follows:

> "3. A designation of origin or geographical indication shall not be registered where, in the light of a trade mark's reputation and renown and the length of time it has been used, registration is liable to mislead the consumer as to the true identity of the product."

7.530.This is a condition for the registration of a GI, as it provides for the refusal of registration of a GI that is liable to mislead the consumer as to the true identity of the product in light of certain factors relevant to a prior trademark. This, in effect, provides that *a prior trademark may prevail* over a later application for GI registration under certain conditions.

7.531.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. The United States disagrees. The Panel will consider this factual issue below.

(…) 7.560.The Panel's second observation is that Article 14(3) specifically prohibits GI registration "in light of a trade mark's reputation and renown and the length of time it has been used". It is clear that these factors must all be taken into account in the application of Article 14(3). It is difficult to imagine how Article 14(3) could be applied without some consideration of the similarity of the signs and goods as well.[81] However, even if these factors are not exhaustive, and even if they do not require strong reputation, wide renown and long use, they indicate that the scope of Article 14(3) is limited to a subset of trademarks which, as a minimum, excludes trademarks with no reputation, renown or use. Article 14(3) does not prevent the registration of a GI on the basis that its use would affect any prior trademark outside that subset.

7.561.The Panel's third observation on the text of Article 14(3) is that it does not refer to use (of the GI) or to likelihood or to confusion, when other provisions of the Regulation do. Articles 7(5)(b), 12b(3) and 12d(3) permit refusal of a GI registration "having regard to" or "taking account of" factors including the "actual likelihood of confusion" and the "actual risk of confusion".[82] This indicates that the standard in Article 14(3) that registration would "mislead the consumer as to the true identity of the product" is intended to apply in a narrower set of circumstances than the trademark owner's right to prevent use that would result in a likelihood of confusion.[83]

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[81] Article 14(3) presupposes the applicability of Article 13, which requires a consideration of the similarity of the goods and signs.

[82] Articles 7(5)(b) and 12d(3) do not apply to GIs located in third countries. To the extent that they apply to GIs located in the European Communities, they only apply in limited circumstances where there is an admissible objection from an EC member State, other than the one which transmitted the application, or a third country, and they do not provide that the actual likelihood or risk of confusion is an absolute ground for refusal.

[83] The TRIPS Agreement does not define the terms "likelihood of confusion" and "mislead the public as to the geographical origin". These terms define the scope of protection provided for in Articles 16.1 and 22.2

7.562.For these reasons, the Panel considers that the United States has made a prima facie case that Article 14(3) of the Regulation cannot prevent all situations from occurring in which Article 14(2) would, in fact, limit the rights of a trademark owner.

(…) 7.567.In light of these observations, the Panel considers that there is no evidence to show that it is possible to seek invalidation of a GI registration under Article 14(3) in *all* cases in which use of a GI would otherwise be found to infringe a prior trademark. In those cases where it is not possible, it would be necessary for the owner of a prior trademark to be able to anticipate, at the time of the proposed GI registration, all subsequent uses of the proposed GI that would result in a likelihood of confusion. There is no reason to believe that this is possible. The evidence submitted to the Panel shows that GI registrations under the Regulation simply refer to names without limiting the way in which they are used. Indeed, it became apparent in the course of the proceedings that what the United States regards as "trademark-like use" is, in the European Communities, considered perfectly legitimate use as a GI.[84]

(…) 7.573.The United States also alleges that three Czech beer GIs, "Budějovické pivo", "Českobudějovické pivo" and "Budějovický měšt’anský var" could be used in a manner that would result in a likelihood of confusion with the prior trademarks BUDWEISER and BUD, registered in respect of beer.[85] The evidence shows that a court in a non-EC WTO Member found a reasonable probability that a substantial number of persons would be confused if the marks BUDEJOVICKY BUDVAR depicted in a special script, and BUDWEISER and BUD, were used together in relation to beer in a normal and fair manner and in the ordinary course of business, particularly the mark BUD.[86] However, courts in two other non-EC WTO Members found that the use of "Budìjovický Budvar" on specific beer labels did not give rise to a likelihood of confusion with the trademarks BUDWEISER and BUD, registered in respect of beer.[87] In response to a direct question from the Panel, the European Communities did not deny that these GIs could be used in a manner that would result in a likelihood of confusion with these prior trademarks. Instead, it pointed to an endorsement on the three GI registrations that they apply "without prejudice to any beer trademark or other rights existing in the European Union on the date of accession".[88] This might imply that it accepts a likelihood of confusion, but considers that there are other means besides Article 14(3) to deal with that. It also argued that these GIs were outside the terms of reference but the United States expressly clarified that it referred to them

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of the TRIPS Agreement and apply in a very wide range of factual situations. Therefore, the Panel considers it inappropriate to embark on a detailed interpretation of these or similar terms unless necessary for the purposes of the resolution of the dispute, which is not the case here.

[84] The United States submitted copies of the packaging of cheeses bearing the GIs "Esrom", "Bitto", "Bra" and "Tomme de Savoie" in Exhibit US-52. The European Communities submitted the approved specifications for these GIs in Exhibits EC-99 through EC-102. See the European Communities' response to Panel question No. 140 and the United States' comment on that response.

[85] The evidence indicates that these trademarks are registered in at least two EC member States and rights to them appear to have been acquired through use in another EC member State: see Exhibits US-53, Section 3.6; US-51, para. 26; and US-82.

[86] Judgement of the High Court of South Africa in *Budweiser Budvar National Corporation v Anheuser-Busch Corporation*, dated 3 December 2003, reproduced in Exhibit US-82.

[87] Judgement of the Federal Court of Australia in *Anheuser-Busch, Inc. v Budìjovický Budvar, Národní Podnik,* [2002] FCA 390 (dated 5 April 2002); judgement of the Court of Appeal of New Zealand in *Anheuser Busch Incorporated v Budweiser Budwar National Corporation & Ors* [2002] NZCA 264 (dated 19 September 2002) reproduced in Exhibits EC-117 and EC-118, respectively.

[88] European Communities' rebuttal submission, paras. 286-293; response to Panel question No. 142.

only as evidence in support of its claim and did not challenge these individual registrations in this panel proceeding.[89]

7.574.There appears to be an inconsistency between the European Communities' position that Article 14(3) of the Regulation, in practice, prevents the registration of GIs, use of which would result in a likelihood of confusion with a prior trademark, and its decision to avoid contesting that there may be circumstances in which the four specific GIs referred to above could be used which would not result in a likelihood of confusion with these specific prior trademarks.

7.575.For the above reasons, the Panel considers that the European Communities has not rebutted the United States' prima facie case that Article 14(3) of the Regulation cannot prevent all situations from occurring in which a trademark would be subject to Article 14(2) and, hence, in which the Regulation would limit the rights of the owner of such a trademark.

7.576.The Panel will now proceed to examine whether the TRIPS Agreement requires Members to make available to trademark owners rights against the use of GIs.

(d)Relationship between protection of GIs and prior trademarks under the TRIPS Agreement

(i)Main arguments of the parties

7.577.The **United States** argues that the ordinary meaning of the terms used in Article 16.1 show that the rights to prevent certain uses are exclusive, are valid against all third parties and cover identical or similar signs, including GIs.[90]

(…) 7.579.The United States submits that Article 24.5 is clearly titled as an exception to GI protection. It protects certain grandfathered trademarks but is not an exception to trademark protection.[91] It does not create any positive rights.[92] The phrase "validity of the registration of a trademark" must be read in connection with the legal authority accorded by trademark registration, which is the right provided under Article 16.1, in addition to rights under domestic law. Trademark registration is virtually meaningless without the associated rights under Article 16.1. (…)

7.580.The United States emphasizes the exclusivity of the rights provided for in Article 16.1. Exclusivity has been recognized as the core of a trademark right by the European Court of Justice and the United States Supreme Court.[93] A trademark can only fulfil its role of identifying an undertaking or the quality of goods if it is exclusive.[94] This is confirmed by Article 15.1.[95]

(…) 7.583.The **European Communities** responds that this claim is unfounded.[96] The TRIPS Agreement recognizes trademarks and GIs as intellectual property rights on the same level, and confers no superiority to trademarks over GIs. The provisions of Section 3 of Part II on GI

[89] United States' response to Panel question No. 137 and European Communities' comment on that response. See the Panel's comments on individual registrations at para. **Error! Reference source not found.**.
[90] United States' first written submission, paras. 137-140.
[91] United States' first oral statement, para. 59; second oral statement, para. 88.
[92] United States' response to Panel question No. 145.
[93] United States' first written submission, paras. 145-150.
[94] United States' first oral statement, para. 67.
[95] United States' rebuttal submission, para. 174; response to Panel question No. 76.
[96] European Communities' first written submission, para. 269-273.

protection are not "exceptions" to the provision of Article 16.1 on trademark rights. The criteria for registrability of trademarks limit *a priori* the possibility of conflicts between GIs and trademarks but conflicts may arise. Article 16.1 does not address this issue. Rather, the boundary between GIs and trademarks is defined by Article 24.5 which provides for coexistence with earlier trademarks. Article 24.5 must be read with Article 22.3 and Article 23.2 which also provide protection to GIs vis-à-vis trademarks.[97] Section 2 of Part II cannot be applied without having regard to Section 3.[98]

(…)

(iii)Consideration by the Panel

(…)

Article 16.1 of the TRIPS Agreement

7.598.Part II of the TRIPS Agreement contains minimum standards concerning the availability, scope and use of intellectual property rights. The first seven Sections of Part II contain standards relating to categories of intellectual property rights. Each Section sets out, as a minimum, the *subject matter* which is eligible for protection, the scope of the *rights conferred* by the relevant category of intellectual property and permitted *exceptions* to those rights.

7.599.Although each of the Sections in Part II provides for a different category of intellectual property, at times they refer to one another[99], as certain subject matter may be eligible for protection by more than one category of intellectual property. This is particularly apparent in the case of trademarks and GIs, both of which are, in general terms, forms of distinctive signs. The potential for overlap is expressly confirmed by Articles 22.3 and 23.2, which provide for the refusal or invalidation of the registration of a trademark which contains or consists of a GI.[100]

(…)

Article 24.5 of the TRIPS Agreement

7.604.The parties have referred to Article 24.5 of the TRIPS Agreement. This appears in Section 3 of Part II, which provides for the category of GIs.[101] Article 24.5 provides as follows:

> "5. Where a trademark has been applied for or registered in good faith, or where rights to a trademark have been acquired through use in good faith either:
>
> > (a) before the date of application of these provisions in that Member as defined in Part VI; or

[97] European Communities' first written submission, paras. 294-300.
[98] European Communities' rebuttal submission, paras. 306-307.
[99] For instance, Article 25.2 of the TRIPS Agreement refers to more than one category of intellectual property, as does Article 4 of the IPIC Treaty, as incorporated by Article 35 of the TRIPS Agreement.
[100] Articles 22.3 and 23.2, respectively.
[101] Section 3 of Part II consists of three articles: Articles 22, 23 and 24. Article 23 concerns only GIs for wines and spirits, which are not covered by the Regulation. Nevertheless, the meaning of that article is important in understanding Section 3 in general and Article 24 in particular. The Panel therefore refers to it in its examination, where that is helpful.

> (b) before the geographical indication is protected in its country of origin;
>
> measures adopted to implement this Section shall not prejudice eligibility for or the validity of the registration of a trademark, or the right to use a trademark, on the basis that such a trademark is identical with, or similar to, a geographical indication."

(…) 7.614.Therefore, according to their ordinary meaning read in context, the terms "shall not prejudice", "the eligibility for or the validity of the registration of a trademark" and "the right to use a trademark", as used in paragraph 5 of Article 24, indicate the creation of exceptions to the obligations to provide two types of GI protection in Section 3. Both these types of protection could otherwise affect the rights identified in paragraph 5. Indeed, the refusal or invalidation of the registration of a trademark has no other function but to extinguish the eligibility for or the validity of the registration of a trademark. Paragraph 5 ensures that each of these types of protection shall not affect those rights.

7.615.Accordingly, the Panel considers that Article 24.5 creates an exception to GI protection - as reflected in the title of Article 24.

(…) 7.625.Therefore, the Panel concludes that, under Article 16.1 of the TRIPS Agreement, Members are required to make available to trademark owners a right against certain uses, including uses as a GI. The Regulation limits the availability of that right for the owners of trademarks which are subject to Article 14(2). Article 24.5 of the TRIPS Agreement is inapplicable and does not provide authority to limit that right.

7.626.The European Communities raises two other defences that, in this respect, the Regulation is justified by exceptions found in Articles 24.3 and 17 of the TRIPS Agreement. The Panel will consider each of these in turn.

(e)Article 24.3 of the TRIPS Agreement

(i)Main arguments of the parties

7.627.The **United States** argues that Article 24.3 of the TRIPS Agreement is an exception with respect to the implementation of the GI Section of the Agreement and does not impose any exception to the obligation to provide trademark rights under Article 16.1. (…)

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. (…)

(iii)Consideration by the Panel

7.630.The Panel now considers the European Communities' argument that it is required to maintain coexistence of GIs and earlier trademarks by Article 24.3 of the TRIPS Agreement. That provision reads as follows:

> "3. In implementing this Section, a Member shall not diminish the protection of geographical indications that existed in that Member immediately prior to the date of entry into force of the WTO Agreement."

7.631.Article 24.3 appears in Section 3 of Part II of the TRIPS Agreement. The reference to "this Section" is therefore a reference to Section 3, which sets out standards for the protection of GIs. The "date of entry into force of the WTO Agreement" was 1 January 1995.

7.632.The scope of Article 24.3 is limited by the introductory phrase "[i]n implementing this Section". It does not apply to measures adopted to implement provisions outside Section 3. Trademark owners' rights, which Members must make available in the implementation of Article 16.1, are found in Section 2. Therefore, Article 24.3 is inapplicable.

(…)

(f)Article 17 of the TRIPS Agreement

(i)Main arguments of the parties

7.638.The **United States** argues that the European Communities has not shown that Article 14(2) constitutes a limited exception within the meaning of Article 17 of the TRIPS Agreement. The United States interprets a "limited exception" to connote an exception which makes only a small diminution of the rights in question. The blanket inability of trademark owners to prevent confusing uses is not "limited" because it does not involve a small diminution of rights and there is no limit on the number of potential users of a registered GI. (…)

7.640.The **European Communities** argues that, in the alternative, the coexistence of GIs and earlier trademarks would be justified under Article 17 of the TRIPS Agreement. (…) Coexistence falls within the example of "fair use of descriptive terms" because GIs are descriptive terms, even where they consist of a non-geographical name, and their use to indicate the true origin of goods and the characteristic associated with that origin is "fair".[102]

(…)

(iii)Consideration by the Panel

(…) 7.646.Article 17 provides as follows:

> "*Exceptions*
>
> Members may provide limited exceptions to the rights conferred by a trademark, such as fair use of descriptive terms, provided that such exceptions take account of the legitimate interests of the owner of the trademark and of third parties."

(…) 7.648.Article 17 permits "limited exceptions". It provides an example of a limited exception, and is subject to a proviso that "such exceptions take account of the legitimate interests of the owner of the trademark and of third parties". The ordinary meaning of the terms indicates that an exception must not only be "limited" but must also comply with the proviso in order to satisfy

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[102] European Communities' first written submission, paras. 315-318; rebuttal submission, paras. 333-338, 348-350; responses to Panel question No. 75(b).

Article 17. The example of "fair use of descriptive terms" is illustrative only, but it can provide interpretative guidance because, *a priori*, it falls within the meaning of a "limited" exception and must be capable of satisfying the proviso in some circumstances. Any interpretation of the term "limited" or of the proviso which excluded the example would be manifestly incorrect.

(…) 7.687.On the basis of the evidence presented to the Panel, which is necessarily limited given that Article 14(3) of the Regulation has only been applied once, and for all of the above reasons, the Panel concludes that the European Communities has succeeded in raising a presumption that the exception created by the Regulation to the trademark owner's right provided for in Article 16.1 of the TRIPS Agreement is justified by Article 17 of the TRIPS Agreement. The United States has not succeeded in rebutting that presumption.

7.688.Therefore, the Panel concludes that, with respect to the coexistence of GIs with prior trademarks, the Regulation is inconsistent with Article 16.1 of the TRIPS Agreement but, on the basis of the evidence presented to the Panel, this is justified by Article 17 of the TRIPS Agreement. Article 24.3 and Article 24.5 of the TRIPS Agreement are inapplicable.

(…)