# Article 17 and the Scope of Trademark Protection Afforded under the TRIPS Agreement

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#### **Abstract**

The protection of trademarks, when it raises a conflict with the protection of geographical indications is one of the most contested issues on the international trade and intellectual property arena. In *European Communities - Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs* a WTO panel was faced with this issue. The panel report gives some insight into what international trademark law mandates as well as some pointers on how conflicts between different IP rights should be solved. This article attempts a deeper analysis of the coexistence of rights in the framework of the TRIPS Agreement that will inevitably grow in importance, when traderelated aspects start permeating all intellectual property issues in WTO fora.

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The article adopts a new approach to analyzing international trademark law. The Western concept of trademarks as property is contrasted to another concept of property that is derived from the use of property. While the property discussion in itself is not new to trademark law, nor is a discussion on the significance of trademark use in trademark law, here, the discussions are combined and refined in an attempt to provide an analytical framework for deciding international trademark cases.

It is argued that the property right in a trademark should be assessed through how it is used, and any finding of infringement hinges upon whether *the use* of the trademark by its proprietor *is unlawfully affected* by a third party's use of an identical or similar sign. Informed by property theory and international law, the analytical framework is applied to the issues raised in the panel report. This leads to the conclusion that the panel report is flawed in certain respects.

### I INTRODUCTION

International intellectual property law explicitly merged with international trade law in 1995 by way of the Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement). Although both fields of law have a long international history, each operates on fundamentally different premises. While international trade law focuses on removing trade barriers, intellectual property rights are in themselves territorially limited, and hence by definition barriers to trade. The 'merger' was accompanied by an unforeseen depth of commitment by sovereign nations to an international organization, the World Trade Organization (WTO), including the rules set forth by it.

While bringing new subject matter within the trade regime broadened the scope of international economic regulation, the enforcement mechanism established within the framework of the WTO also seemingly rendered international trade law more pervasive than ever in relation to its subjects.<sup>2</sup> Thus, at least from a formal point of view the

<sup>&</sup>lt;sup>1</sup>The Agreement Establishing the World Trade Organization, Annex 1C, Agreement on Trade-Related Aspects of Intellectual Property Rights (hereinafter the TRIPS Agreement), April 15, 1994, US source, 1867 U.N.T.S. 154.

<sup>&</sup>lt;sup>2</sup> The Role of the World Trade Organization in Global Governance 1-5 (Gary P. Sampson ed., 2001).

international trade regime of today is a system governed by the rule of law, not that of diplomacy.<sup>3</sup>

These changes naturally trigger a number of questions. What is the scope of the TRIPS Agreement and how should its provisions be interpreted under existing rules of international law? Do national legislators continue to serve a function within the international trade regime other than being mere implementing organs? In trademark terms, is the minimum standard of trademark protection set forth in the TRIPS Agreement in reality a maximum standard of other IP protection? To what extent does the international level of trademark protection set forth in the TRIPS Agreement restrict the ability of the national legislator, under international law, to regulate 1) within the area of trademark law and 2) in other areas of law?

Article 16 of the TRIPS Agreement sets forth the minimum standard of trademark protection that Member States are obliged to afford. However, Article 17 of the TRIPS Agreement provides that Member States are allowed to provide for limited exceptions to the afforded rights. What these provisions entail as well as their relationship to other provisions of the TRIPS agreement (namely Art. 24 that affords protection for Geographical Indications (GIs)) was the issue faced by a WTO panel in *European Communities - Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs* (GI-report).<sup>4</sup>

<sup>&</sup>lt;sup>3</sup> Joost Pauwelyn, Conflict of Norms in Public International Law 25 (2003); John H. Jackson, The Jurisprudence of GATT & WTO 181 (2000) (hereinafter Jackson 2000); and Martin Wolf, What the World Needs from the Multilateral Trading System 183-208, 185, in The Role of the World Trade Organization in Global Governance (Gary P. Sampson ed., 2001).

<sup>&</sup>lt;sup>4</sup> Panel report, European Communities - Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs, 7.632, WT/DS290/R and WT/DS174/R (March 15, 2005) ((hereinafter WT/DS290/R) All references to specific sections are from report WT/DS290/R. The Panel's findings regarding the trademark claims were identical although the complaints were

The protection of trademarks, when it is in conflict with the protection of GIs and vice versa is one of the most contested issues on the international trade and intellectual property arena. The GI-report gives some insight into what international trademark law mandates as well as some pointers on how conflicts between different IP rights should be solved. This article attempts a deeper analysis of the coexistence of rights in the framework of the TRIPS Agreement that will inevitably grow in importance, when trade-related aspects start permeating all IP issues in WTO fora.

As existing international trademark law has not evolved to fill the market regulatory function it serves on the national level, this article adopts a new approach to analyzing international trademark law. First, an analogy to different concepts of property, as revealed by three cases around the world highlights when and how trademarks can be viewed as property. The Western concept of trademarks as property (derived from possession) is then contrasted to another, namely Maori, concept of property that is derived from the use of property.

The property discussion in itself is not new to trademark law in the United States or the rest of the world nor is a discussion on the significance of trademark use<sup>5</sup> in trademark law. Here, however, the discussions are combined and refined in an attempt to provide an analytical framework for deciding international trademark cases. This article is not

slightly different.) interpreting "this section" to mean that Article 24 (3) and (5) only apply in relation to section III and geographical indications. See *infra* footnote 163.

<sup>&</sup>lt;sup>5</sup> The meaning and purpose of the requirement of trademark use in contemporary trademark law is and has been widely debated in the United States as well as in Europe, due to a wide range of contradictory judicial decisions. Stacey L. Dogan & Mark A. Lemley, *Trademarks and Consumer Search Costs on the Internet*, 41 Hous. L. Rev. 777 (2004); Ilanah Simon, *Embellishment: Trade Mark Use Triumph or Decorative Disaster*, E.I.P.R. 2006, 28(6), 321-328; Graeme B. Dinwoodie &. Mark D. Janis, *Confusion over Use: Contextualism in Trademark Law*, available at http://ssrn.com/abstract=927996. These articles use the term trade mark use to refer to, whether and to what extent so called non-trademark use would be considered a defense in trademark law. Thus, they focus on the defendant's use. Although this article is very much concerned with the significance of trademark use to our understanding of trademark law, it is not intended as an addition to this discussion. In this article *the right holder's trademark use* is significant.

primarily concerned with the defendant's use of a sign as a trademark, nor on the proprietor's right to property. Instead this article argues that the property right in a trademark should be assessed through how it is used, and any finding of infringement hinges upon whether *the use* of the trademark by its proprietor *is unlawfully affected* by a third party's use of an identical or similar sign. The focus is neither on the proprietor nor on the mark itself, but on the protected use.

Second, the analytical framework is supported by an analysis of the international legal system and third, the analytical framework, informed by property theory and international law, is applied to the issues raised in the GI-report. This leads to the conclusion that the GI-report is flawed in certain respects.

Hence, this article argues that the text of the TRIPS Agreement, when infused by the general principles of public international law, although seemingly vague, provides a binding analytical framework for assessing the legitimate scope of trademark protection under international law. The existing analytical framework can be derived from three sources:

- 1) The minimum standard of protection set forth in the agreement (art. 16 (1));
- 2) the degree of derogation allowed from the afforded rights under art. 17 and;
- 3) the context and structure of the TRIPS Agreement.<sup>6</sup>

<sup>&</sup>lt;sup>6</sup> A panel should address the questions in this order, i.e. from the specific to the general. See Appellate Body Report, *Japan- Taxes on Alcoholic Beverages* 40, WT/DS10/AB/R, WT/DS11/AB/R, WT/DS8/AB/R (Oct. 4, 1996); and Appellate Body Report, *United States-Prohibition of Certain Shrimp and Shrimp Products* 116, 121, WT/DS58/AB/R (Oct. 12, 1998). In this sense the specific provision and the issue it regulates constrains and guides interpretation on the more general levels. However, the general level provides a background and framework for choosing between alternative interpretations regarding the meaning of the terms used in a specific provision.

The analytical framework rests on a contextual<sup>7</sup> approach to interpretation of the TRIPS Agreement. Just as the meaning of each word in each provision rests not only on the ordinary meaning of the word, but also on the context in which it is used, the meaning of each provision should be ascertained in conjunction with the other provisions of the treaty. This article argues that an overly literal interpretation, with the effect of drawing arbitrary lines between different intellectual property rights (IPRs), is inconsistent with the TRIPS Agreement.<sup>8</sup>

Section II explores the nature of the rights guaranteed trademark owners by article 16 (1) of the TRIPS Agreement by scrutinizing trademark rights as a legal concept. The article approaches this question by way of analogy to property law; it is asked to what extent trademark rights can be viewed as property. How do different understandings of

<sup>&</sup>lt;sup>7</sup> According to its legal definition context refers to "the surrounding text of a word or passage. used to determine the meaning of that word or passage". Black's Law Dictionary 268 (Abridged 8<sup>th</sup> ed. 2005). By contextual I however refer to something more than mere text; I also refer to the structure of the agreement. The Oxford English Dictionary 820-821 (2<sup>nd</sup> ed., Vol III (1989) defines context as "the connected structure of a writing or composition" or "The whole structure of a connected passage regarded in its bearing upon any of the parts which constitute it; the parts which immediately precede or follow any particular passage or 'text' and determine its meaning." By "a contextual approach" I therefore refer to more than the literal text of the agreements, although the text itself remains the primary source. The text is also evidence of the fact that agreement was reached as well as the extent and scope of agreement, which like any agreement bears legal significance. The approach is premised on the intent of the parties to abide by the terms of the agreement. While the objective and purpose of the agreement can be indicative of a preferred interpretation (i.e. the interpretation that furthers the objective and purpose of the treaty should prevail over one that runs contrary to it), it cannot operate on its own to fill in gaps in the treaty. This is the primary difference to the teleological approach, at least as used by the European Court of Justice (See Paul Craig, Grainne de Burca, EU Law, Texts, Cases and Materials 98, (3<sup>rd</sup> edition 2003)). Furthermore, the objective and purpose of the treaty is to be ascertained based on the complete text of the treaty as read according to the general principles of treaty interpretation, not based on the legislative history or any partisan source recollecting legislative intent. Albeit a line drawn in water, the contextual approach only travels back in time to ascertain how the "legislators" viewed the final draft of the treaty; what they objectively and collectively thought they had achieved, not what their individual objectives were in negotitating it. <sup>8</sup> WT/DS290/R, supra note 4, at 7.632: interpreting "this section" to mean that Art. 24 (3) and (5)

only apply in relation to section III and geographical indications.

<sup>9</sup> This article does not ask whether or not trademarks are property; it is the starting point of this article that they are. Compare to Michael A. Carrier, *Cabining Intellectual Property Through A Property Paradigm* 5, 54 Duke L.J. 1 (2004). Unlike Carrier, who fashioned remedies for United States' IP law by introducing additional defenses (*Ibid* at 95-106, 124-127, 134-139 and 142-144),

property influence interpretation of international trademark law? This analysis serves as a foundation for later ascertaining how viewing trademark rights as property affects the trademark right when interacting with other interests in society, i.e. clashing with other equally fundamental interests.

Section III focuses on the relationship between the explicit limitations set forth in Article 16(1), and the limitations that are allowed by virtue of Article 17 in light of the GIreport. 10 The GI-panel was faced with a complaint where a European Community regulation on protection of geographical indications (GIs) was alleged to encroach upon the minimum level of trademark protection mandated by the TRIPS Agreement.

Section IV approaches the TRIPS Agreement through the interpretive lens of general rules of international law and international trade law. 11 According to customary international law, treaty provisions should on the one hand be narrowly interpreted, but on the other hand they should not be interpreted so as to render the provisions ineffectual. Each provision of the treaty was intended to have effect and an interpretation giving some provisions more effect than others is thus inconsistent with the general objective and purpose of the treaty. Much like WTO panels should not act as an international legislature through activist interpretation, WTO panels should not stall progress through "passivist" interpretation; shying away in areas of political contention. 12 Instead WTO

the international arena requires a different remedy. This is because only common law countries traditionally provide for explicit defenses in the statutory text. In the civil law world (the vast majority of the Member States of the WTO), national trademark laws only include implicit reference to limitations of afforded rights in a trademark. Statutes that are seemingly heavily tilted in the proprietor's favor therefore require a more potent counterweight. Nevertheless, I argue that my solution; a new contextual approach to trademark law, applies equally to the United States and the common law world, where the same problems exist albeit to a lesser degree.

<sup>&</sup>lt;sup>10</sup> WT/DS290/R, supra note4.

<sup>&</sup>lt;sup>11</sup> Pauwelyn, *supra* note 3, at 25.

<sup>&</sup>lt;sup>12</sup> An overly formalistic and literal approach to a politically contested issue amounts to an attempt to hide behind the law that distorts rather than clarifies existing international law.

panels should interpret the TRIPS Agreement and its provisions in the legal framework and practical context in which they operate. Absent express wording on the specific issue to the contrary a hierarchy of intellectual property rights should not be presumed to have been built into the TRIPS Agreement. The agreement itself, its mere adoption as well as its structure, supports a presumption of equality.<sup>13</sup>

In section V the analytical framework produced by this analysis is developed to define the scope and limits of what constitutes the minimum standard of trademark protection under international law. The article argues that the GI-panel's reading of the TRIPS Agreement is counterintuitive; it creates a hierarchy of IPRs that would require Member States to restructure their protective schemes accordingly. It is further argued that the TRIPS Agreement – implicitly and explicitly – stands for a presumption of co-existence of rights and the provisions of the agreement should be interpreted accordingly. Likewise, the TRIPS Agreement does not exist in a vacuum, which should be reflected in the interpretation of it.

II THE MINIMUM STANDARD OF ARTICLE 16(1): Trademark Rights As a Legal Construct

# II.A Trademarks Rights As Property

This article assumes that trademark rights are property rights. However, this leads us no further than knowing that real property is property. The property-label only has meaning in the context of property law, which regulates what rights and obligations the

<sup>&</sup>lt;sup>13</sup> This is not intended to argue that all IPRs are afforded the same level of protection merely that all IPRs are afforded protection and therefore should be considered equally worthy of protection. Measuring worthiness by the afforded level of protection gives a skewed view of the TRIPS Agreement, since it strongly favors old IPRs over new IPRs. One of the groundbreaking elements of the TRIPS Agreement was to modernize the existing international IP regime by way of providing additional protection for old IPRs and new protection where old IPRs have proven insufficient (e.g. protection of trade secrets and geographical indications).

designation as property entails.<sup>14</sup> This section seeks to ascertain how a property right can be defined at the time of allocation of the right, as well as later when conflicts with other rights emerge. In trademark terms, we seek guidance in defining the object of the right, i.e. an answer to the following question: what do you own when you own a trademark? Three cases, one decided by the Constitutional Court of South Africa and two by the European Court of Human Rights serve as illustrative tools. Each case involves a non-traditional taking<sup>15</sup> of property without compensation. Hence, the cases raised issues concerning 1) whether the object constituted constitutionally protected property and 2) whether it nonetheless could legitimately be subject to a taking without compensation. In other words, when evaluating a proprietary interest one must always ascertain whether the object and holder satisfy the requirements for receiving protection (compare to Article 16(1)) and if answered in the affirmative, whether societal considerations of necessity still outweigh the individual interest in receiving protection in the circumstances of each individual case (compare to Article 17).

In First National Bank of SA Limited t/a Wesbank versus The Commissioner, SA Revenue Services<sup>16</sup>, three leased cars had been seized by the Revenue Service for the lessee's unpaid customs debts. FNB, the owner of the cars, challenged the government's authority under the constitution to sell<sup>17</sup> the seized vehicles, when they are the property of a third

<sup>&</sup>lt;sup>14</sup> Jeremy Waldron, The Right to Private Property 29, 31 (1988): on ownership and on the concept of a property system.

<sup>&</sup>lt;sup>15</sup> A taking by means of direct or indirect regulatory action that equally affects all citizens to which the law applies, as opposed to the individual condemnation and seizure of specific property by administrative or legislative action.

<sup>&</sup>lt;sup>16</sup> First National Bank of SA Ltd t/a Wesbank v Commissioner, South African Revenue Service and Another; First National Bank of SA Ltd t/a Wesbank v Minister of Finance (hereinafter CCT 19/01), Constitutional Court of South Africa, CCT 19/01, May 16, 2002, available on-line at <a href="https://www.constitutionalcourt.org.za">www.constitutionalcourt.org.za</a>.

<sup>&</sup>lt;sup>17</sup> That is, FNB contests the seizure of the cars in the first place (25(1)), and contends that the taking amounts to an expropriation for which they should be compensated (25(2)).

party. 18 Section 25 of the South African Constitution contains a negative guarantee of property rights in the form of protection against arbitrary deprivations. Although a large portion of section 25 concerns issues regarding real property it expressly states that property is not limited to land. 19 After extensive theoretical and comparative analysis of section 25 the court held the provision that authorized the sale was unconstitutional.

The court concluded, on the one hand, that the protection of property in the negative does not include an express guarantee of the right to acquire, hold and dispose of property.<sup>20</sup> On the other hand, the court acknowledged that a guarantee of the right to hold property (once lawfully acquired) is implicitly recognized by most democracies as falling within the negative right.<sup>21</sup> The same right extends to both natural and juristic persons;<sup>22</sup> it is however not absolute, but subject to limitation based on societal considerations.<sup>23</sup>

In order to reflect this nature of the right, the approach to the interpretation of section 25 has to be contextual. In the words of the court "[t]he subsections...must not be construed in isolation, but in the context of the other provisions of section 25 and their historical context, and indeed in the context of the Constitution as a whole."<sup>24</sup> The court further notes, citing Professor Van der Walt that it is necessary "to move away from a static, typically private-law conceptualist view of the constitution as a guarantee of the status quo to a dynamic, typically public-law view of the constitution as an instrument for social

<sup>&</sup>lt;sup>18</sup> CCT 19/01, *supra* note 16, at para. 2-5.

<sup>&</sup>lt;sup>19</sup> Section 25(4) (b) of the South African Constitution.

<sup>&</sup>lt;sup>20</sup> Compare infra in section III how the GI-Panel correctly defines the bundle of rights that the trademark owner legitimately controls.

<sup>&</sup>lt;sup>21</sup> CCT 19/01, *supra* note 16, at para 48.

<sup>&</sup>lt;sup>22</sup> CCT 19/01, *supra* note 16, at para 41 and 45.

<sup>&</sup>lt;sup>23</sup> CCT 19/01, *supra* note 16, at para 49.

<sup>&</sup>lt;sup>24</sup> CCT 19/01, supra note 16, at para 49. Compare to the definition of a contextual approach in footnote 7 supra. In referring to the interpretive guidance of history the court does not intend to say that the laws during the apartheid period should guide the court in the interpretation of the modern South African Constitution. To the contrary the contextual approach seeks to learn from history and determines the intentions of lawmakers in light of historical fact, i.e. facts that have been objectively and collectively determined.

change and transformation under auspices [and...control] of entrenched constitutional values", when considering the purpose and content of the property clause.<sup>25</sup> Hence, property should also serve the public good.<sup>26</sup>

As an initial matter the court notes that any interference with the use, enjoyment or exploitation of private property involves some degree of deprivation of the title holder's rights. A deprivation *per se* therefore cannot trigger a duty to compensate. The invalidity of a deprivation thus hinges upon whether it can be viewed as arbitrary.<sup>27</sup> Arbitrariness should be evaluated in the legislative context to which the prohibition against "arbitrary" deprivation has to be applied as well as to the nature and extent of the deprivation.<sup>28</sup> More specifically it is to be determined by evaluating the relationship between the means employed and the ends sought as well as the relationship between the purpose for the deprivation and 1) the person whose property is affected, 2) the nature of the property and 3) the extent of the deprivation. A more compelling purpose needs to be established when the deprivation affects land as opposed to other property as well as when the deprivation embraces all the incidents of ownership as opposed to affecting only some rights in the bundle of rights.<sup>29</sup>

Similarly, in J.A. Pye (Oxford) Ltd. v. the United Kingdom<sup>30</sup> the European Court of Human Rights agreed with the petitioner that the English law on adverse possession as applied to them violated their fundamental right to protection of property. Under the law

<sup>&</sup>lt;sup>25</sup> CCT 19/01, *supra* note 16, at para. 52. The court cites AJ van der Walt The Constitutional Property Clause 87 (1997).

The court gives a number of illustrative examples of how private property is subject to regulation through zoning laws for residential, public safety, environmental and efficiency purposes.

<sup>&</sup>lt;sup>27</sup> CCT 19/01, *supra* note 16, at para. 57 and 61.

<sup>&</sup>lt;sup>28</sup> CCT 19/01, *supra* note 16, at para 66.

<sup>&</sup>lt;sup>29</sup> CCT 19/01, *supra* note 16, at para 100.

<sup>&</sup>lt;sup>30</sup> *J.A.Pye* (Oxford) Ltd. v. the United Kingdom, European Court of Human Rights, ECHR-44302/02, Nov. 15, 2005.

of adverse possession the possessor can acquire lawful title (by way of initiating a registration procedure), if the owner has not asserted rights of ownership against the possessor of land in 12 years. Petitioner, a company, was the registered owner of 23 hectares of agricultural land. After the expiry of a grazing agreement in 1984 between petitioner and the Grahams, the Grahams continued to graze the land without permission until 1999. The action before the court arose when the Grahams applied to the registration authority for transfer of title pursuant to the law of adverse possession and petitioner lost lawful title to the land.

Article 1 of Protocol 1 of the European Convention of Human Rights<sup>31</sup> secures the right of "peaceful enjoyment of one's possessions", except when deprivation is in the public interest as provided for by law and by the general principles of international law.<sup>32</sup> According to previous case-law by the European Court of Human Rights a deprivation must comply with the principle of lawfulness and pursue a legitimate means reasonably proportionate to the aim sought in order to satisfy the general principle of peaceful enjoyment.<sup>33</sup> Nonetheless, the court recognized that the national legislatures should be shown great deference in determining how to further the public interest and such determination can only be overturned if it is "manifestly without foundation".<sup>34</sup>

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<sup>34</sup> J.A.Pye (Oxford) Ltd. v. the United Kingdom, supra note 30, at § 43-44.

<sup>&</sup>lt;sup>31</sup> The European Convention on the Protection of Human Rights and Fundamental Freedoms and Its Five Protocols (hereinafter ECHR), Nov. 4, 1950 as last amended Jan. 20, 1966, S. SopS 18/1990 (Finland's treaty series), deposited at the European Council <a href="http://www.hri.org/docs/ECHR50.html">http://www.hri.org/docs/ECHR50.html</a>.

<sup>&</sup>lt;sup>32</sup> *Id.* at Article 15: Every natural or legal person is entitled to the peaceful enjoyment of his possessions. No one shall be deprived of his possessions except in the public interest and subject to the conditions provided for by law and by the general principles of international law. The preceding provisions shall not, however, in any way impair the right of a State to enforce such laws as it deems necessary to control the se of property in accordance with the general interest or to secure payment of taxes or other contributions or penalties.

<sup>&</sup>lt;sup>33</sup> Bruncrona v. Finland § 65, European Court of Human Rights, ECHR- 41673/98, Nov. 16, 2004. See also *J.A.Pye* (Oxford) Ltd. v. the United Kingdom, supra note 30, at § 42, 46.

The existence of alternatives as such is not enough to render the contested legislation unjustified. The proper inquiry is whether the interference strikes "a fair balance between the demand of the public or general interest of the community and the requirements of the protection of the individual's fundamental rights."<sup>35</sup> Although a deprivation of property without compensation can be legitimate, the compensation terms set forth in the relevant legislation are material to the assessment of fairness, and ultimately the legitimacy of the deprivation.<sup>36</sup>

The court stressed that unlike other property that is inherently subject to restriction, qualification or limitation, the petitioner's title to land was absolute. The mere fact that a law of general applicability was in effect at the time of acquisition did not inherently limit petitioner's property right. Whether a law of general applicability can ever do so depends on whether the law can be seen as qualifying or limiting the right, i.e. take effect, at the moment of acquisition rather than pending certain circumstances at some time in the future.<sup>37</sup> Due to the fact that petitioner had registered title to the land and the public interest therefore was weaker than in the case of unregistered property, the transfer of title to the possessors without compensation was greatly disproportionate to the total revocation of petitioner's property interest.<sup>38</sup> In the end the decision seemed to turn on the fact that the law did not require that the owner be given notice during the 12-year time-period.<sup>39</sup>

<sup>&</sup>lt;sup>35</sup> J.A.Pye (Oxford) Ltd. v. the United Kingdom, supra note 30, § 45-46.

<sup>&</sup>lt;sup>36</sup> J.A.Pye (Oxford) Ltd. v. the United Kingdom, supra note 30, § 47, 46.

<sup>37</sup> J.A.Pye (Oxford) Ltd. v. the United Kingdom, supra note 30, § 50-51.
38 J.A.Pye (Oxford) Ltd. v. the United Kingdom, supra note 30, § 69-71.

<sup>&</sup>lt;sup>39</sup> J.A.Pye (Oxford) Ltd. v. the United Kingdom, supra note 30, § 73. The court at this juncture placed great weight on the fact that the act had been amended in 2002 to include a requirement of notice after 10 years of possession. Throughout the opinion the court emphasized that the applicant was deprived of 1) property 2) without compensation 3) without the ability to contest the decision in court.

Of the seven justices on the court, three dissented. The dissenters stressed that ownership carries not only rights, but duties as well. The duties imposed on petitioner in this case could not be viewed as excessive or unreasonable, since petitioners were professional real estate developers and therefore should have had full knowledge of the law as well as the minimal steps required to look after their interests. Since the convention only imposed a minimum standard of protection and it is open to national legislatures to heighten the level of protection, the majority's decision was unduly influenced by the legislature's decision to modernize the law of adverse possession.<sup>40</sup>

In Anheuser-Busch Inc. v. Portugal<sup>41</sup> the European Court of Human Rights concluded that a trademark application can give rise to a protectable property interest based on legitimate expectations. 42 Anheuser-Busch argued that the enjoyment of a property right afforded at the time of application could not be disturbed absent specific law to this point. 43 A Czech holder of a GI had successfully opposed the trademark application in extensive opposition proceedings.<sup>44</sup> Consequently, the trademark registration never issued.

The court concluded that a conditional right can be subject to non-realization if it conflicts with the rights of third parties, provided that legislation to this effect is clear and precise at the time of acquisition of the right.<sup>45</sup> The mere fact that some protection is

<sup>&</sup>lt;sup>40</sup> J.A.Pye (Oxford) Ltd. v. the United Kingdom, supra note 30, joint dissenting opinion of judges Maruste, Garlicki and Borrego Borrego § 1-3.

<sup>&</sup>lt;sup>41</sup> Anheuser-Busch Inc. v. Portugal, European Court of Human Rights, ECHR- 73049/01, Oct 2005. <sup>42</sup> *Id.* at § 47.

<sup>&</sup>lt;sup>43</sup> Anheuser-Busch Inc. v. Portugal, supra note 41, at § 32. Anheuser-Busch argued that a decision of the Portuguese Supreme Court to deny registration of the Budweiser trademark amounted to an expropriation of a property right in violation of Art. 1.1 of the European Convention of Human Rights, supra note 31.

<sup>&</sup>lt;sup>44</sup> Anheuser-Busch Inc. v. Portugal, supra note 41, at § 12-16.

<sup>&</sup>lt;sup>45</sup> Anheuser-Busch Inc. v. Portugal, supra note 41, at § 50.

afforded (a right of priority) from the time of application does not necessarily mean that the property interest involved is absolute.<sup>46</sup>

The dissenting judges placed weight on the great economic value of the right conferred by trademark applications<sup>47</sup> in contemporary society and recognized a protected property interest. They seemed inclined to view trademark law in general as wholly unsatisfactory in the modern world, since they concluded that a result that renders a valuable asset unexploitable in some markets amounts to interference with the peaceful enjoyment of one's possessions.<sup>48</sup> The dissenters therefore concluded that the Portuguese legislation failed to strike a fair balance between the public interest sought and the individual property interest.<sup>49</sup>

In contrast, the Maori system is premised on a theory of property allocation that hinges not on the owner or object of the property; in fact these aspects are irrelevant for the purposes of determining the scope of the right.<sup>50</sup> Before being replaced by the British property system all land was communally owned and the community granted individual members of the community multiple usufructuary rights.<sup>51</sup> Instead of obtaining a piece of

<sup>&</sup>lt;sup>46</sup> Anheuser-Busch Inc. v. Portugal, supra note 41, at § 47 and 52.

<sup>&</sup>lt;sup>47</sup> Namely the exclusive right to use the mark for named products in a certain geographic area.

Anheuser Busch v. Portugal, supra note 41, Joint dissenting opinion of judges Costa and Cabral Barreto at § 5: "Although in the present case the applicant company cannot really be said to have been deprived of ownership of the "Budweiser" mark, as there was no formal or constructive expropriation, it is nevertheless undeniable that the effect of the decisions of the domestic courts has been to prevent the applicant company from using the mark in Portugal. Its total inability to exploit the mark commercially constitutes interference. Such interference must comply with the rule of law, pursue a legitimate aim and strike a "fair balance" between the demands of the general interest of the community and the requirements of the protection of the individual's fundamental rights (*latridis v. Greece* [GC], no. 31107/96, § 58, ECHR 1999-II). It must be remembered that in the business world, the right to use a mark in a market such as the Portuguese market may have considerable value."

<sup>&</sup>lt;sup>49</sup> Anheuser Busch v. Portugal, supra note 41, Joint dissenting opinion of judges Costa and Cabral Barreto at Anheuser Busch v. Portugal § 5-8.
<sup>50</sup> Stuart Banner, Two Properties, One Land: Law and Space in Nineteenth-Century New

Stuart Banner, Two Properties, One Land: Law and Space in Nineteenth-Century New Zealand, 24 Law & Soc. Inquiry 807, 808, 811 (1999).
 Id. at 811.

land and all rights to it, the Maori had rights to hunt, rights to cultivate land and rights to pick berries.<sup>52</sup> The community owned the geographical space, which allocated and enforced the usufructuary rights as well as enforced its rights against other communities.<sup>53</sup> Several members thus could hold rights in the same geographical space, but they were different rights that did not encroach upon each other.<sup>54</sup> Members were encouraged to exercise their rights to their fullest extent without harming others, which put all land to its most efficient use to service the needs of the community.<sup>55</sup> Unlike the Western system that focuses on the owner, in the Maori system *what defines the scope of the right is its use*.

Dressed in trademark terms, as long as the trademark is used to indicate the origin of goods or services, the owner of the mark is irrelevant for the question of ascertaining whether the mark is protected or not. In other words the property right is alienable as long as its function in the overall system of allocation is not altered. The question is purely whether the use is legitimate in relation to the interests of third parties. The right exists as long as and to the extent it is used according to the initial allocation. Some pushing of boundaries may occur and is actually desirable in order to maximize the use of all resources. In the event of a conflict whoever furnishes proof of a legitimate interest in continued use of the disputed subject matter will prevail. Regardless of the outcome of the dispute, the rights are presumed to coexist to the extent that they do not conflict with

<sup>&</sup>lt;sup>52</sup> See Banner, *supra* note 50, at 811-812.

<sup>&</sup>lt;sup>53</sup> See Banner, *supra* note 50, at 807, 813-814.

<sup>&</sup>lt;sup>54</sup> See Banner, *supra* note 50, at 807, 811-812.

<sup>&</sup>lt;sup>55</sup> See Banner, *supra* note 50, at 811.

<sup>&</sup>lt;sup>56</sup> Whether based on registration or use.

<sup>&</sup>lt;sup>57</sup> Harold Demsetz, *Toward A Theory of Property Rights*, 57 Am. Econ. Rev. Papers & Proc. 347, 347-348, 350 (1967). See also Banner, *supra* note 50, at 813.

each other. When the use stops the rights by default revert<sup>58</sup> back to the community (i.e. the government) that can reallocate them to another user or to the public domain.<sup>59</sup> Although the current system is arguably based upon similar logic the contemporary emphasis on individual property rights has clearly overshadowed this premise of trademark law.<sup>60</sup>

In sum, all of the decisions referenced above treat property in land differently than other property interests and are more likely to view the property right in land as one of absolute ownership. By the same token not all deprivations of land are illegitimate, since only some trigger the duty of compensation. Hence, absolute ownership does not literally mean that the rights of the owner are absolute, i.e. not routinely subordinate to the public interest. Consequently, while some rights can be taken away, some rights were never given in the first place. All property rights are thus inherently subject to internal as well as external limitations.

In comparison a mobile phone consists of patented hardware, copy-righted software, a protected design and is marketed under a protected trademark. All these rights exist apart from the property right in the mobile phone itself. This solution caters to needs of the contemporary dynamic community. Likewise, the Maori system optimally served the needs of their community, because the same geographic area can not be hunted, grazed or

<sup>&</sup>lt;sup>58</sup> Pending certain circumstances that are specifically set forth in legislation e.g. abandonment, failure to renew registration etc.

<sup>&</sup>lt;sup>59</sup> After all, it is the government not the individual rights holder that enforces the use rights of the individual against encroachment from others. See Banner, *supra* note, 813-814.

<sup>&</sup>lt;sup>60</sup> Compare to Mark Lemley, *Property, Intellectual Property and Free Riding*, 83 Tex. L. Rev. 1031, 1071-1074 (2005). See also Demsetz, *supra* note 57, at 347.

<sup>&</sup>lt;sup>61</sup> All property systems recognize that property rights are not absolute however there exist great variances between countries on the extent to which private property rights are subject to limitations in the public interest. Banner, *supra* note 50, at 810-811.

<sup>&</sup>lt;sup>62</sup> Compare and contrast the opinions of the majority and minority in *Anheuser Busch v. Portugal, supra* note 41, and *J.A.Pye (Oxford) Ltd. v. the United Kingdom, supra* note 30.

cultivated indefinitely or it will be drained. Similarly yet differently, trademark owners need to constantly develop their trademarks to fit their products and business. The extent of the actual use therefore rarely completely coincides with the mark that is registered at any given time. However, the option of fixing the right to a physical object is not available in trademark law. While the English system that replaced the Maori system was arguably more efficient, the same system encounters its weaknesses in relation to IPRs. The physical connection distorts rather than aids the attainment of allocative efficiency and forces the IPR-system to race between the extremes of insufficient protection of third parties to insufficient protection of rights holders. A theory of allocation that focuses on use instead of the owner or object of property rights will allow for a near optimal allocation of rights on both sides, since it is inherently flexible to the needs of the users as well as the community.<sup>63</sup> In other words a balance is continuously struck between competing interests both when allocating rights and in resolving conflicts of rights.

What purpose then does the two step deprivation analysis set forth in the South African case serve in treaty interpretation? Professor Joost Pauwelyn categorizes conflicts that arise in treaty interpretation as false conflicts, true apparent conflicts and genuine conflicts. In matters of international trademark law a false conflict might arise when trademark rights are impacted by legislation, however, careful scrutiny reveals that the trademark owner does not have a legitimate property interest in the subject matter that has allegedly been deprived. The majority in *Anheuser-Busch v. Portugal* reached this

<sup>&</sup>lt;sup>63</sup> Compare to Lemley, *supra* note 60, at 1031, 1071 and 1074.

Pauwelyn, *supra* note 3, at 244. Pauwelyn focuses on issues of public international law and consequently refers to conflicts between treaties or different provisions of one or more treaties. Although the subject matter of trademark or intellectual property law can be viewed as falling into the category of private international law, treaty interpretation follows the rules of public international law, regardless of the subject matter covered by the conflicting provisions. The rules of public international law determine the extent of obligations of a sovereign nation under international law.

conclusion. Likewise the legislation might not legitimately allow a third party to encroach upon the contested subject matter and hence the apparent conflict of norms was an illusion.

Unlike false conflicts where the decision turns on the lack of a protected interest on either side, a true apparent conflict requires the decision-maker to consider the arbitrariness of a deprivation in light of the public interest, since both parties have legitimate interests in the contested subject matter. Balancing of interests is required and guidance is sought from the contextual framework of the conflicting provisions as well as the general rules of treaty interpretation. A genuine conflict of norms, where the object and purpose of the agreements or provisions in question are undeniably in conflict, cannot be resolved through treaty interpretation, but can only be solved by the legislature. <sup>65</sup>

#### IIBThe Contents and "Meaning" of an Exclusive Right

As mentioned above the term property in itself bears no legal significance. What is significant is what rights a property right confers upon its holder. A property right does not include one right, but a bundle of rights. The traditional bundle includes 1) the right to lawfully use the property in a certain way; 2) the right to alienate (sell, lend, lease, use as collateral etc.) and 3) the right to exclude others. 66 In one sense a property right is a right against the world, since it confers enforceable rights to something on the owner. On the other hand, the contents of the rights in the bundle, differs depending on whom it is asserted against based on the duties of ownership conferred on the owner in the initial

<sup>&</sup>lt;sup>65</sup> For purposes of decision-making in the meantime four solutions are available: 1) the agreements contain explicit conflicts clauses; 2) the newer agreement governs (lex posterior); 3) the specialized rule governs (lex specialis) or; 4) the aggrieved party is compensated. For further elaboration see Pauwelyn, *supra* note 3, at 489. 666 Waldron, *supra* note 14, at 27.

allocation. 67 Neither is the bundle of rights static or constant in effect or character, since the right itself confers the right on the owner to change the relationship. In this sense the property right is defined by contracts between the owner and others. <sup>68</sup> However, there are some "inherent defects" in all titles that the owner does not have the power to correct. We focus on those next.

The property right is necessarily defined by its object. Unlike a plot of land or physical object, defining the object of intellectual property rights is however notoriously difficult.<sup>69</sup> Most other intangible interests can at least conceptually be tied to some tangible form of property, which in turn the right can be contrasted against. A bank holds a mortgage on a house only insofar the debt has not been paid and a shareholder's interest is defined by the existence and success of the company as well as the interests of other shareholders. No one (generally) has a property right in the subject matter from which a trademark is created; it is taken from the pool of collective resources. At the same time the object of the right is distinct from the property right in the paper it is printed on, the web-site that displays it, or the goods to which it is affixed. Any attempt to contrast it to a tangible resource leads to a misleading result, since they are not connected in the traditional property law sense.<sup>70</sup>

Another traditional approach to defining a property right when the resource is taken out of the common pool is through possession.<sup>71</sup> A land owner gained ownership through

<sup>&</sup>lt;sup>67</sup> Waldron, *supra* note 14, at 27.

<sup>&</sup>lt;sup>68</sup> When an owner exercises his right to sell or lease the property he automatically restricts his own right to use the property and exclude others from using it in relation to the contracting party on the terms set forth in their agreement.

<sup>&</sup>lt;sup>69</sup> Robin Jacob & Daniel Alexander, A Guidebook to Intellectual Property, Patents, Trade Marks, Copyright and Designs 4-5, (5<sup>th</sup> Edition, 2003). <sup>70</sup> Lemley, *supra* note 60, at 1033.

<sup>&</sup>lt;sup>71</sup> Carol M. Rose, Possession as the Origin of Property in Perspectives on Property Law (Robert C. Elickson, Carol M. Rose and Bruce A. Ackerman eds., Third Edition, 2002).

marking the boundaries of his plot of land and claimed ownership to wild horses by capturing them and fencing them in. The trademark owner claims a similar right when initially using the mark in commerce, and if no one else is using the same mark on the same goods it is quite easy for the public to accept the capture of a specific "plot" on the market. However, much like the neighbor is likely to object when a landowner tries to expand the boundaries of his property, or the community, when one family captures all the horses, problems arise when the trademark owner adopts an expansive interpretation of the right to exclude others. If these conflicts were decided by whoever has possession, the "encroacher" would naturally have the upper hand. However, in a society with scarce resources these conflicts are generally decided by scrutinizing the original allocation of property rights for inherent defects in title.

In other words the trademark right is defined, by weighing it against the public interest against allocating any right (to the contested subject matter) to begin with. The object of contention is thus separate from the initial allocation and does not affect the original grant. In this sense each infringement action turns on whether or not the trademark owner

Although some countries afford trademark protection solely based on use others base entitlement on registration. Even so registration-based countries generally require that the mark be used in commerce although the registration serves as notice on third parties. In used based countries, 'visible' presence on the market is vital, since protection is afforded only insofar third parties are aware of the use (i.e. have received notice).

<sup>&</sup>lt;sup>73</sup> The landowner will have visibly staked a claim to the neighbor's land and the horses are no longer wild, but in the hunter's possession. Likewise the trademark owner is the only entity that is visibly present on the plot on the market and has probably sought to visibly assert its right (through advertising) to the market on which infringement is claimed to occur. The claim is similar to the case on adverse possession. Under what circumstances may the rightful owner be deprived of his or her property due to passivity?

<sup>74</sup> Locke's theory on allocation confers a property right to what one mixes one's labor with. The

<sup>&</sup>lt;sup>74</sup> Locke's theory on allocation confers a property right to what one mixes one's labor with. The theory however contains a caveat; it presumes that it is immoral to take too much. Locke however does not further explore into a world of conflicting property rights. *John Locke*: Two Treatises of Government, 285-286, 302 (Peter Laslett ed., Cambridge Univ. Press 1988) (1690).

has a *legitimate* expectation in the property interest sought. After all a property right only has value if it can be enforced against others.<sup>75</sup>

Legitimacy is derived from the initial grant as set forth by trademark legislation. Article 16.1 of THE TRIPS AGREEMENT affords the trademark owner the following rights:

"The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed. The rights described above shall not prejudice any existing prior rights, nor shall they affect the possibility of Members making rights available on the basis of use."

The international minimum standard of trademark protection only applies to registered marks even though Member States are allowed to afford additional protection based on use of a mark. The initial<sup>76</sup> grant of an exclusive right is thus subject to four inherent defects in title: the owner can only prevent a third party from 1) using a mark in commerce: 2) as a trade or service<sup>77</sup> mark; 3) on identical or similar goods; 4) where the use results in a likelihood of confusion. The chosen language clearly indicates that the factors are cumulative.

<sup>&</sup>lt;sup>75</sup> Property is a legal fiction and does not exist without a legal system that enforces it. See Demsetz, supra note 57, at 347. Ownership has no value, if anyone can take the object of ownership from its owner or the owner has no conceivable means of enforcing his right. For example there are millions of "owners" of land on the moon (see e.g. www.lunarlandowner.com). However, when push comes to shove and space travel does allow people to occupy the moon, these certificates will arguably be worthless, because no legal system is likely to recognize them and enforce the rights of the owners against others (including governments). In this sense only governments can allocate rights to new property or by recognizing a previous allocation activate legal enforcement mechanisms in support of the recognition. The latter option is generally invoked after periods of war or occupation, when property is returned to its original owners.

<sup>&</sup>lt;sup>76</sup> A mark that has become well-known through extended use (after registration) is awarded extended protection in article 16(3) of the TRIPS Agreement, supra note 1, which by crossreference incorporates article 6 bis of the Paris Convention. Our inquiry concerns the scope of rights conferred on the owner by way of registration and is thus different from the scope of protection of well-known marks, whose captured plot on the market in certain circumstances has been allowed to expand over time by way of legislative approval.

77 Article 16(2) of the TRIPS Agreement, *supra* note 1, extends the same protection to services.

In addition to affording a limited right the TRIPS Agreement acknowledges that the trademark right confers certain rights and duties on the trademark owner. Member States may impose a requirement of use (and most do) and renewal in order to maintain the registration, but a trademark registration shall (in principle) be renewable indefinitely.<sup>78</sup> The use of a trademark shall not be unjustifiably burdened with special requirements, nor can it ever be subject to a compulsory license. <sup>79</sup> In addition, licensing and assignment of a trademark shall be possible with or without transfer of the business to which the trademark belongs.<sup>80</sup>

#### Ш THE DEROGATION ALLOWED FROM AFFORDED RIGHTS UNDER ARTICLE 17

### III.A Introduction

The last section concerned the inherent constraints on the afforded right. This section concerns the right of the government to regulate in ways that affect the exercise of trademark rights. The distinction between allocation and exercise of a right is not necessarily clear in practice. However, national laws generally acknowledge this distinction through evidentiary rules. Since registration serves as notice on third parties the legitimacy of the trademark owner's interest is presumed for what is registered.<sup>81</sup> The trademark owner however bears the burden of proving his entitlement to any additional protection. Only when the trademark owner has a legitimate interest in the exclusive use of a mark does the defendant's duty to furnish evidence in his defense kick in.

<sup>&</sup>lt;sup>78</sup> Article 18-19 of the TRIPS Agreement, *supra* note 1. <sup>79</sup> Article 20-21 of the TRIPS Agreement, *supra* note 1.

<sup>&</sup>lt;sup>80</sup> Article 21 of the TRIPS Agreement, *supra* note 1.

<sup>81</sup> Nonetheless evidence may be transmitted in rebuttal.

The logic of this analytical structure operates with a twist on the international level. Under the TRIPS Agreement Member States are only mandated to provide minimum protection to trademark owners, unless the principles of national treatment or most favored nation are violated. Hence, additional protection is not mandated but a choice which in turn can trigger certain duties, namely that of equal treatment. The paramount question of law (when considering the arbitrariness of the deprivation) remains whether or not the Member State is in violation of its international obligation to provide a minimum standard of protection for trademarks.

As was the question in the property cases above, the inquiry includes two steps: 1) is a legitimate property interest at stake and 2) is the deprivation arbitrary or illegitimate?

Article 17 of the TRIPS Agreement reads as follows:

"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 trademark owner and of third parties."

Hence, the exclusive right afforded in Article 16(1), can be subject to limited exceptions. In other words, in a situation where all four elements of article 16 (1) are satisfied; a mark is used in commerce on identical or similar goods in a way that causes a likelihood of confusion, the use may nonetheless be lawful.

 $<sup>^{\</sup>rm 82}$  Articles 3 and 4 of the TRIPS Agreement,  $\it supra$  note 1.

III.B European Communities- Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs

III.B.1 Does Article 24 of the TRIPS Agreement Provide an Exception to Trademark Rights?

The proposed conceptual structure of international trademark law is useful in assessing the above-mentioned panel report regarding the protection of trademarks and GIs under the TRIPS Agreement. The GI-report interpreted Articles 24.5, Article 24.3 and Article 17 of THE TRIPS AGREEMENT, since the European Communities raised them as a defense of its legislation regarding geographical indications<sup>83</sup> (GIs), in response to complaints by Australia and the United States that the EC violated Article 16(1) of THE TRIPS AGREEMENT.<sup>84</sup>

The EC legislation confers an implied right to use a GI in relation to the relevant products upon registration. Article 14(2) of the regulation allows for the continued use of trademarks that were registered prior to the registration of a GI. In addition, Article 14(3) of the regulation provides that the registration of a GI shall be refused if it leads to a likelihood of confusion with an earlier trademark. Notwithstanding Article 14 (3) of the regulation, the main argument set forth by the complainants is that the trademark rights afforded under Article 16(1) of the TRIPS Agreement cannot be *fully* exercised against a person, who uses a registered GI in accordance with the right conferred by registration. Figure 14(2) is necessary to implement its obligations under Article 24 of the TRIPS Agreement.

83 Council Regulation 92/2081, 1992 O.J. (L208). 1-8 (EC) as amended (hereinafter 92/2081/EEC).
 84 WT/DS290/R, *supra* note 4.

<sup>&</sup>lt;sup>85</sup> 92/2081/EEC, *supra* note 83, Article 13. The EC submitted that the statute only confers a negative right to exclude misleading uses. However, this has traditionally been interpreted in civil law countries as granting an implied right to use. See WT/DS290/R, *supra* note 4, at 7.522.
<sup>86</sup> WT/DS290/R. *supra* note 4, at 7.531.

<sup>&</sup>lt;sup>87</sup> WT/DS290/R, *supra* note 4, at 7.525.

Article 24 sets forth the minimum standard of GI protection in the TRIPS Agreement. Article 24.5 limits the reach of GI protection that a Member State may afford in relation to existing trademarks, the exclusive rights to which have been acquired *prior to* the protection of the GI in its home country. The Panel rejected the argument that Article 24.5 is exhaustive in the sense that Member States under the TRIPS agreement are free to limit the use of trademarks that have been acquired *after* a GI is protected in its home country. Reference to the Panel rejected the argument that a Member State is obligated under Article 24 to afford such GI protection.

The Panel concluded that Article 24.5 creates an exception to GI protection mandated by THE TRIPS AGREEMENT and also, notwithstanding Article 24 that Members States are required under Article 16(1) to make available the right to exclude certain uses, which includes uses as a GI.<sup>90</sup> The GI-Panel arrived at this conclusion by way of interpreting the words "when implementing this section" in Article 24.3 and 24.5 to render the conferred obligations inapplicable in relation to other obligations in the TRIPS Agreement. Since the obligation to afford trademark protection is found in section 2 of the TRIPS agreement (without a similar qualifier), any obligation of coexistence cannot be presumed.<sup>91</sup> The GI-Panel concluded that they refuse to adopt an approach to treaty interpretation, which is not supported by the ordinary meaning of its terms in their context.<sup>92</sup>

 $<sup>^{88}</sup>$  WT/DS290/R, supra note 4, at 7.624.

<sup>89</sup> WT/DS290/R, *supra* note 4, at 7.618

<sup>&</sup>lt;sup>90</sup> WT/DS290/R, *supra* note 4, at 7.625.

<sup>&</sup>lt;sup>91</sup> WT/DS290/R, *supra* note 4, at 7.606, 7.611 and 7.632.

<sup>&</sup>lt;sup>92</sup> WT/DS290/R, *supra* note 4, at 7.624.

# III B.2 Exceptions Under Article 17 of the TRIPS Agreement

When turning to Article 17 the GI-panel recognized two elements that the national legislation must satisfy: 1) the exceptions must be limited and 2) must take account of the legitimate interests of the owner of the trademark *and* of third parties. Any interpretation of either element that excludes the example "fair use of descriptive terms" is necessarily incorrect. 93

The GI-panel noted that it can be instructive to refer to the interpretation by two previous panels on the interpretation of corresponding articles regarding exceptions to copyrights and patents. However, there are some significant differences between the provisions that make it important to interpret article 17 according to its own terms. Unlike the other provisions Article 17 contains no reference to "conflict with a [or the] normal exploitation" {or} "unreasonable prejudice to the legitimate interests" of the …owner, {instead Article 17 expressly} refers to the legitimate interests of third parties [and] treats them on par with those of the right holder." Article 17 clearly permits exceptions that are not applicable to other intellectual property rights. However, there are some significant differences between the provisions that are not applicable to other intellectual property rights.

In ascertaining the meaning of the term "limited exceptions" the GI-panel concluded that the issue is whether the exception to the rights conferred by a trademark is narrow.<sup>96</sup> Exceptions may apply to 1) a category of third parties; with respect to 2) the identity or similarity of the marks or goods; 3) the degree of likelihood of confusion; 4) a

93 WT/DS290/R, supra note 4, at 7.648.

<sup>&</sup>lt;sup>94</sup> Exceptions to copyrights are regulated in Article 13 of the TRIPS Agreement, *supra* note 1, and was interpreted in Panel report, *United States- Sec 110(5) of Copyright Act*, WT/DS160/R (June 15, 2000). Exceptions to patents are regulated in Article 30 of the TRIPS Agreement, *supra* note 1, and was interpreted in Panel report *Canada- Patent Protection of Pharmaceutical Products*, WT/DS114/R (March 17, 2000).

<sup>&</sup>lt;sup>95</sup> WT/DS290/R, *supra* note 4, at 7.649.

<sup>&</sup>lt;sup>96</sup> WT/DS290/R, *supra* note 4, at 7.650; Citing *Canada-Pharmaceutical Patents*, *supra* note 94, at para 7.30 and expressly noting that relevant inquiry focuses on exceptions to the rights conferred, not to a set of trademarks or trademark owners.

combination of the above; or 5) in some other way, as long as they are limited. The panel noted that "[f]air use of descriptive terms is *not* limited in terms of the number of third parties who may benefit, nor in terms of the quantity of goods or services with respect to which they use the descriptive terms, although implicitly it only applies to those third parties who would use those terms in the course of trade and to those foods or services which those terms describe." Still, it satisfies the elements of Article 17.<sup>97</sup>

The number of trademarks or trademark owners affected is irrelevant and the focus remains on the impact on the rights of the trademark owner. 98 Nevertheless, although the quantity of goods that benefit from an exception might indirectly curtail the exercise of the right to exclude others, preventing acts of making, selling or importing goods are not rights conferred by a trademark. 99 The trademark right only entails the right to prevent confusing uses. 100 On the other hand, the GI-panel noted that "a GI registration does not confer a positive right to use any other signs or combinations of signs, nor to use the name in any linguistic versions" hence the trademark owner's rights are not limited against such uses. 101 Likewise the GI regulation recognizes a ground for refusal of registration based on an earlier trademark hence the trademark owner's right to exclude confusing uses is not completely diminished even against the GI applicant. 102

<sup>&</sup>lt;sup>97</sup> WT/DS290/R, *supra* note 4, at 7.653-54.

<sup>&</sup>lt;sup>98</sup> WT/DS290/R, *supra* note 4, at 7.654.

<sup>&</sup>lt;sup>99</sup> WT/DS290/R, *supra* note 4, at 7.655. Compare to the findings of the South African Constitutional Court discussed supra in section II.A.

<sup>&</sup>lt;sup>100</sup> WT/DS290/R, *supra* note 4, at 7.656.

<sup>&</sup>lt;sup>101</sup> WT/DS290/R, *supra* note 4, at 7.657.

<sup>&</sup>lt;sup>102</sup> WT/DS290/R, *supra* note 4, at 7.658.

## III.B. 3. Legitimate interests

Following a contextual approach the GI-panel concluded that the legitimate interests of the trademark owner must be something different from the full enjoyment of the rights conferred by a trademark. Likewise the legitimate interests of third parties must be something more than simple enjoyment of their legal rights. Citing Canada-Pharmaceuticals Patents the GI-panel concluded that the provision calls "for protection of interests that are 'justifiable' in the sense that they are supported by relevant public policies and other social norms". 104

The GI-panel referred to "the WTO Members' shared understandings of the policies and norms relevant to trademarks", when concluding that the protected function of trademarks is the ability to distinguish goods and services from those of other companies in the course of trade. While it is in the legitimate interest of the trademark owner to receive protection of the source identifying function of its trademark, protection is not absolute. In contrast to Articles 13, 26.2 and 30 that refer to "unreasonable prejudice", Article 17 requires only that exceptions "take account" of the legitimate interests of the owner. According to the GI-panel the chosen wording hence suggests that less protection is required for the legitimate interests of the trademark owner. This reading also corresponds with the absence of specific reference to the rights of third parties in Articles 13, 26.2 and 30.

<sup>&</sup>lt;sup>103</sup> WT/DS290/R, *supra* note 4, at 7.662.

<sup>&</sup>lt;sup>104</sup> WT/DS290/R, *supra* note 4, at 7.663 citing *Canada-Pharmaceutical Patents*, *supra* note 94, at para. 7.69.

<sup>&</sup>lt;sup>105</sup> WT/DS290/R, *supra* note 4, at 7.664.

<sup>&</sup>lt;sup>106</sup> WT/DS290/R, *supra* note 4, at 7.670.

<sup>&</sup>lt;sup>107</sup> WT/DS290/R, *supra* note 4, at 7.671.

The GI-panel further notes that the relevant third parties for the purposes of Article 17 include both consumers and persons using a geographical indication. 108 After all the legitimacy of the interests of GI users is reflected in the TRIPS Agreement itself. The Panel defines the legitimate interest of GI owners by contrasting Articles 22 and 23 of the TRIPS Agreement, in which protection of GIs is afforded. 109 Furthermore, the GI-panel analogizes to the example in Article 17 concluding that GI protection serves a similar purpose and is therefore legitimate. 110

#### IV THE CONTEXTUAL AND STRUCTURAL FRAMEWORK OF THE TRIPS AGREEMENT

IV.A. The Framework of International Law and International Trade

The TRIPS Agreement is part of a larger framework of treaties that regulate international trade under the auspices of the WTO. 111 Hence, the underlying purpose of the TRIPS Agreement is to reduce distortions and impediments to international trade. The means employed to reach the goal are securing effective and adequate protection of IPRs, while ensuring that the measures and procedures to enforce IPRs do not themselves become barriers to legitimate trade. 112 According to Article 7 the objective of the TRIPS Agreement is "to contribute to the promotion of technological innovation [...] to the mutual advantage of producers and users [...] in a manner conducive to the social and

<sup>108</sup> WT/DS290/R, *supra* note 4, at 7.675 and 7.679.

<sup>&</sup>lt;sup>109</sup> WT/DS290/R, *supra* note 4, at 7.680.

<sup>110</sup> WT/DS290/R, *supra* note 4, at 7.681.

<sup>&</sup>lt;sup>111</sup> The Agreement Establishing the World Trade Organization, *supra* note 1, includes Annex 1A: General Agreement on Tariffs and Trade and 12 specialized agreements; Annex 1B: General Agreement on Trade in Services: Annex 1C: Agreement on Trade-Related Aspects of Intellectual Property Rights; and Annex 2: Understanding on Rules and Procedures Governing the Settlement of Disputes (hereinafter DSU).

112 The preamble to the TRIPS Agreement, *supra* note 1.

economic welfare, and balance of rights and obligations." Furthermore, Article 8 shows deference to Member States in formulating and amending laws and adopting measures necessary to promote the public interest in sectors of vital importance to their socioeconomic and technological development. With the objective and purpose of the TRIPS Agreement in mind the Member States adopted the following international obligation:

# Article 1 Nature and Scope of Obligations

"1. Members shall give effect to the provisions of this Agreement. Members may, but shall not be obliged to, implement in their law more extensive protection than is required by this Agreement, provided that such protection does not contravene the provisions of this Agreement. Members shall be free to determine the appropriate method of implementing the provisions of this Agreement within their own legal system and practice."

Adopting minimum standards of protection follows the traditional format of international agreements, after all it is notoriously difficult to reach consensus on an adequate level of protection between more than 150 different legal systems and maintain a level that has any practical effect. 113 In addition, great deference is shown to the Member States in implementing the provisions of the treaty both relating to means chosen as well as to the level of protection in practice, provided that it is higher than the minimum level of protection. 114 Lastly, it should be noted that while agreement was reached on the issue of

Jackson 2000, supra note 3, at 134.

<sup>&</sup>lt;sup>113</sup> On the problems facing the WTO despite the adoption of minimum standards see *Supachai* Panitchpakdi: Balancing Competing Interests: The Future Role of the WTO 29 and Rubens Ricupero: Rebuilding Confidence in the Multilateral Trading System: Closing the "Legitimacy Gap" 37, in The Role of the World Trade Organization in Global Governance, *supra* note 2.

granting protection, the issue of when the rights afforded under the TRIPS Agreement are exhausted was expressly excluded. 115

To give added force to the international trade rules, the Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU) was annexed to the agreement establishing the WTO, to govern all disputes between Member States. 116 DSU Article 3.2 states that the WTO dispute settlement system, "serves to preserve the rights and obligations of Members under the...agreements, and to clarify the existing provisions of those agreements in accordance with customary rules of interpretation of public international law." Recommendations and rulings cannot add or diminish those rights and obligations. 117 In United States-Standards for Reformulated and Conventional Gasoline the Appellate Body confirmed that Articles 31 and 32 of the Vienna Convention on the Law of Treaties incorporates the customary rules of public international law. 118

Customary rules of public international law mandate that "a treaty shall be interpreted in good faith in accordance with the ordinary meaning to be given to the terms of the treaty in their context and in the light of its objective and purpose". 119 The relevant context comprises of the text, preamble and annexes as well as any other agreement relating to the treaty between the same parties. 120 Recourse to supplementary means of interpretation

<sup>&</sup>lt;sup>115</sup> Article 6 of the TRIPS Agreement, *supra* note 1. The principles of national treatment and mostfavored nation cannot be invoked in dispute settlement regarding the issue of exhaustion of intellectual property rights.

116 DSU, *supra* note 111.

<sup>&</sup>lt;sup>117</sup> DSU, *supra* note 111, Articles 3.2 and 3.5.

<sup>&</sup>lt;sup>118</sup> Appellate Body report, *United States-Standards for Reformulated and Conventional Gasoline* 15, WT/DS2/AB/R (April 29, 1996).

19 As codified in Article 31.1 of the Vienna Convention on the Law of Treaties (hereinafter Vienna

Convention), May 23, 1969, 1155 U.N.T.S. 331. See Japan- Taxes on Alcoholic Beverages, supra note 6, at 15. Jackson 2000, supra note 3, at 111 "Note that not all members of the WTO have ratified ... the Vienna Convention..., but there is still general agreement that the Vienna Convention clauses on treaty interpretation (Arts. 31, 32) articulate customary international law on the subject."

<sup>&</sup>lt;sup>120</sup> Vienna Convention, *supra* note 119, Article 31.2.

is *only* allowed when the contextual interpretation leaves the meaning ambiguous or leads to a manifestly absurd or unreasonable result.<sup>121</sup> Customary international law thus provides different tools of interpretation for different conflicts within international jurisdiction, as well as, draws the line between national and international jurisdiction.<sup>122</sup> The requirement of good faith interpretation has traditionally been construed to mandate narrow interpretation of treaty provisions and excluding *e contrario* conclusions regarding the intentions of Member States in international law.<sup>123</sup> On the other hand, the contextual approach in light of the objective and purpose of the treaty secures an interpretation that gives all provisions some effect. The universally recognized principle of *pacta sunt servanda* mandates that the text of the treaty is binding upon the parties and cannot be watered down by subsequent interpretation.<sup>124</sup>

In sum, international law operates much like contract law, which is premised on the principles of contractual freedom on the one hand and strict (legal or diplomatic) enforcement of contractual obligations on the other hand. A backdrop of commitment to the system of international law, however, does not allow for parties to opt out of all of their obligations. Because there is no hierarchy of treaties the unity of international law is what lends legitimacy and democratic content to international law. Hence, unless a Member State explicitly contracts out of an international obligation it is presumptively bound by that obligation in all other contractual relationships.<sup>125</sup>

<sup>&</sup>lt;sup>121</sup> Vienna Convention, *supra* note 119, Article 32.

Pauwelyn, *supra* note 3, at 442.

<sup>&</sup>lt;sup>123</sup> Pauwelyn, *supra* note 3, at 465.

The Preamble of the Vienna Convention, *supra* note 119, notes that the principles of free consent and of good faith and the pacta sunt servanda rule are universally recognized.

Pauwelyn, *supra* note 3, at 461, 463, 465, 466 citing Panel report, *Korea- Government Procurement*, WT/DS163/R (May 1, 2000) at para 7.101, note 755 and at 467.

IV.B. The Evolution of International Norms and the Status of WTO Panel Reports

The function of WTO panels is to assist the Dispute Settlement Body (DSB) by making an objective assessment of the facts at hand and their applicability and conformity with the relevant agreements. Nowadays, WTO panel reports as well as Appellate Body reports are semi-automatically adopted by the DSB and subsequently obtain the status of an authoritative statement of international law. How then should the WTO Panel reports be interpreted and what reach should the rulings be given?

The main concern in this section is to ascertain the binding force or effect of a Panel ruling as a contribution to the body of international trade law.<sup>128</sup> According to the DSU the purpose of the dispute settlement system and hence the rulings set forth by it is to provide "security and predictability to the multilateral trading system".<sup>129</sup> Much like any other decision-making body in a rule-oriented (as opposed to policy-based) system, the WTO system cannot be successful unless three goals are met: The system must be viewed by the Member States as 1) just, 2) credible as well as 3) efficient.<sup>130</sup> All panel rulings as well as their reasoning are thus subject to intense scrutiny. Consequently, WTO Panels have sought to adopt an analytical, objective and non-political procedure that is firmly anchored in principles of international law.<sup>131</sup> While clearly aware of their larger

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<sup>&</sup>lt;sup>126</sup> DSU, *supra* note 111, Article 11.

DSU, *supra* note 111, Article 16.4 and 17.14; "unless the DSB decides by consensus not to adopt the report."

128 Hence I will approach the question asking to what extent the ability of the WTO to enforce

Hence I will approach the question asking to what extent the ability of the WTO to enforce rules effects Members' obligation to comply in practice. Suffice it to say that good faith interpretation of treaties has not traditionally included searching for ways to circumvent ones obligations under it. For a debate on the issue see – Judith Hippler Bello, *The WTO Dispute Settlement Understanding: Less is More*, 90 AJIL 416 (1996); John H. Jackson, *The WTO Dispute Settlement Understanding- Misunderstandings on the Nature of Legal Obligation*, 91 AJIL 60 (1997); Warren F. Schwartz & Alan O. Sykes, *The Economic Structure of Renegotiation and Dispute Resolution in the World Trade Organization*, 31 J. Legal Stud. S179 (2002)

DSU, *supra* note 111, Article 3.2.

<sup>&</sup>lt;sup>130</sup> Jackson 2000, *supra* note 3, at 118.

<sup>&</sup>lt;sup>131</sup> Jackson 2000, *supra* note 3, at 118.

audience in aspects of procedure and form it seems unclear what substantive reach (source value) is to be given to the rulings of WTO panels. 132

Due to the above-mentioned concerns the approach of WTO panels is necessarily formalistic in the sense that panels will rely heavily on treaty text as well as perceived neutral sources of interpretation. Certain WTO panels have, however, taken a highly formalistic, almost exclusively literal approach to interpretation of the provisions of the TRIPS Agreement. 133 What weight should these reports or statements be given as a source of law?

In Japan-Taxes on Alcoholic Beverages the Appellate Body considered whether prior reports constitute "subsequent practice" for purposes of treaty interpretation within the meaning of Article 31 of the Vienna Convention. 134 The Appellate Body held that the decision to adopt a panel report neither constitutes agreement on the reasoning by that panel nor elevates the report to a binding source of law on subsequent panels. 135 Reports are only binding with respect to resolving a particular dispute between the parties. Nevertheless, panel reports should be taken into account because they may create legitimate expectations among Member States. 136

Furthermore, the correct interpretative approach under the Vienna Convention follows the general principle of effectiveness of treaty interpretation. 137 Although the correct approach to any provision is textual, interpretation should always rest on the objective

<sup>132</sup> GI-report, supra note 4.

GI-report, supra note 4; Canada-Patent Protection of Pharmaceutical Products and US- Sec 110(5) of the Copyright Act, supra note 94. <sup>134</sup> Japan-Taxes on Alcoholic Beverages, supra note 6.

<sup>&</sup>lt;sup>135</sup> Japan- Taxes on Alcoholic Beverages, supra note 6, at 28-29. The Appellate body relied on Article IX.2 of GATT as well as DSU Article 3.9, which retains the exclusive authority to issue definite treaty interpretations to the General Ministerial Council by 3/4 majority vote.

Japan- Taxes on Alcoholic Beverages, supra note 6, at 30. Japan- Taxes on Alcoholic Beverages, supra note 6, at 33.

and purpose of provisions; i.e. respecting the words while not diminishing the meaning of words actually used in other provisions. Any provision should be read in light of the broad and fundamental purpose of that provision that gives meaning and effect to all of its terms. <sup>138</sup>

The Appellate Body has further elaborated on rules of treaty interpretation in *US-Import Prohibition of Certain Shrimp and Shrimp Products*.<sup>139</sup> Any measure that is subject to a violation<sup>140</sup> complaint should be scrutinized in light of its meaning and effect in relation to the relevant international obligations of the Member State in question, not with a focus on the nature or design of the measure itself.<sup>141</sup> Furthermore, maintaining the multilateral trading system is not a right or obligation per se, instead each provision should be reviewed in light of the object and purpose of the provision itself. Thus, generally testing a measure for consistency with the object and purpose of the treaty exceeds the jurisdiction of panels.<sup>142</sup> Nevertheless, the result of the interpretative approach must lead to a test or standard that is justifiable under the agreement.<sup>143</sup> Consequently, absent express wording on point, terms of the treaty must nonetheless be read in light of

<sup>&</sup>lt;sup>138</sup> Japan- Taxes on Alcoholic Beverages, supra note 6, at 39-40.

<sup>139</sup> US-Prohibition of Certain Shrimp and Shrimp Products, supra note 6.

At present violation complaints are the only form of complaint available under the TRIPS agreement, since the TRIPS Council has been unable to reach an agreement on how and under what circumstances non-violation complaints would be permissible. (See e.g. TRIPS Council discussion on access to medecines; submission by the developing country's group on 20 June 2001 at http://www.wto.org/english/tratop\_e/trips\_e/paper\_develop\_w296\_e.htm at paragraph 42; preceding the Doha Declaration and *Graeme B. Dinwoodie, William O. Hennessey, Shira Perlmutter*: International Intellectual Property Law and Policy at 847 (2001). Arguably, the fact that non-violation complaints are not available also constrains panel jurisdiction in interpreting the TRIPS Agreement.

<sup>&</sup>lt;sup>141</sup> US-Prohibition of Certain Shrimp and Shrimp Products, supra note 6, at 115.

<sup>&</sup>lt;sup>142</sup> US-Prohibition of Certain Shrimp and Shrimp Products, supra note 6, at 116.

<sup>&</sup>lt;sup>143</sup> US-Prohibition of Certain Shrimp and Shrimp Products, supra note 6, at 121.

contemporary concerns among the Member States as expressed, e.g., in the preamble of the agreement.<sup>144</sup>

Finally, the Appellate Body has expressly stated that Member States "should not be assumed...to have continued previous protection or discrimination through the adoption of a new measure", since this would amount to a presumption of bad faith that is inconsistent with the general nature of international law. However, the policy goal of a measure, no matter how noble, cannot provide its justification, if it does not meet the general requirements for an exemption. Total deference to Member States cannot ensure an objective assessment under Article 3.2 of the DSU.

In any search for a meaning of a treaty, treaty interpretation should be seen as a tool for conflict avoidance. As mentioned above, conflicts can generally be categorized as false conflicts, true apparent conflicts and genuine conflicts. While the former two can be solved by recourse to treaty interpretation, genuine conflicts are outside the jurisdiction of WTO Panels. However, no conflict can even hypothetically exist if 1) the language of the provision in question is not broad or ambiguous enough to allow input from other provisions regarding its meaning, or 2) the second rule in question does not express

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<sup>&</sup>lt;sup>144</sup> US-Prohibition of Certain Shrimp and Shrimp Products, supra note 6, at 129.

Appellate Body report, *Chile- Taxes on Alcoholic Beverages* at 74, WT/DS87/AB/R; WT/DS110/AB/R (Dec. 13, 1999).

<sup>&</sup>lt;sup>146</sup> US-Prohibition of Certain Shrimp and Shrimp Products, supra note 6, at 149.

<sup>&</sup>lt;sup>147</sup> See David Palmeter and Petros C. Mavroidis, Dispute Settlement in the World Trade Organization Practice and Procedure 86 (1999), citing Panel report, *United States-Restrictions on Import of Cotton and Man-Made Fibre Underwear* 8, WT/DS24/R (Nov. 8, 1996), adopted as modified by the Appellate Body Feb. 10,1997.

Pauwelyn, supra note 3, at 244 contending that the principle of conflict avoidance poses an inherent limit on treaty interpretation.

<sup>&</sup>lt;sup>149</sup> Compare to Pauwelyn, *supra* note 3, at 245-251.

<sup>&</sup>lt;sup>150</sup> Pauwelyn, *supra* note 3, at 272.

anything about what the first one means.<sup>151</sup> This rule stems from the prohibition under customary international law of interpretations *contra legem*.<sup>152</sup>

False conflicts can be solved by reference to the principle of efficient treaty interpretation. The provisions are interpreted in good faith in light of their objective and purpose. No provision can justify a meaning that would be contrary to the letter and spirit of the provisions. Hence, words can neither be interpreted into nor out of a treaty provision. Efficient treaty interpretation is only permissible, to the extent that a harmonious result can be reached. Whether the result is in favor of the first or second provision is irrelevant.

True conflicts, on the other hand, require reference to norms outside the text of the treaty in order to determine whether the solution of the conflict is within international jurisdiction. True apparent conflicts generally are within international jurisdiction (although decision-making authority can have been withheld from the WTO Panels). However, genuine conflicts can only be resolved by way of amendment of the treaty.

# V. EVALUATION OF THE GI-PANEL REPORT IN LIGHT OF THE PROPOSED ANALYTICAL FRAMEWORK

The GI-panel arguably was in a difficult position, since the collision between the interests of trademark owners and GI owners are one of the most contested issues in the international arena. In its final analysis the GI-panel correctly focused the analysis on the

Pauwelyn, *supra* note 3, at 245. Hence, conflicts (false, apparent or genuine) only arise, if a *bona fide* interpretation of the text of the allegedly conflicting provisions appears to create a conflict.

<sup>&</sup>lt;sup>151</sup> Pauwelyn, *supra* note 3, at 245.

<sup>&</sup>lt;sup>153</sup> United States-Standards for Reformulated and Conventional Gasoline, supra note 118, at 23 and Japan- Taxes on Alcoholic Beverages, supra note 6, at 12.

<sup>&</sup>lt;sup>154</sup> Pauwelyn, *supra* note 3, at 248-249.

<sup>&</sup>lt;sup>155</sup> Pauwelyn, *supra* note 3, at 251-268.

<sup>&</sup>lt;sup>156</sup> Pauwelyn. *supra* note 3, at 272.

rights afforded and the effect of the limitation on the underlying property interest. The GI-panel however failed to distinguish the rights afforded from those withheld *in relation* to GI holders<sup>157</sup> and consequently failed to distinguish between deprivations *per se* (exceptions that should not be analyzed under Article 17, because no legitimate property interest is deprived) and arbitrary or illegitimate deprivations (exceptions that should be analyzed under Article 17).

In other words, the GI-panel should have asked whether trademark owners have a legitimate interest in excluding GI users and weighed this interest against the legitimacy of the interest of GI users in receiving protection. At this juncture, the GI-panel should have distinguished between the legitimate interests of existing trademark owners and prospective trademark owners in the relevant market and accordingly weighed how the regulation protected their respective interests against existing GI users and prospective GI users in turn. After all, sweeping generalizations regarding the legitimate interest of the trademark owner as well as a GI owner are unadvisable; since they like all property rights, vary according to whom it is asserted against. The distinction is supported by the text of the treaty since Article 24.5; the exception to GI protection in favor of trademark owners, only applies to existing trademark owners in relation to prospective GI users. A reading that does not make the distinction renders Article 24.5 meaningless, a conclusion that can never be supported under the international rules on treaty interpretation. <sup>158</sup>

The Panel treated this discussion as non-relational in the sense that it focused on what interests the trademark owner has an interest in protecting as opposed to a legitimate interest in protecting and what interest GI users had in limiting the trademark owner's right. The Panel did not take the necessary third step; Article 17 expressly mandates that legitimacy of interests be assessed *in relation to* the interests of third parties. This is not meant to say that the Panel should not have weighed the effect of the "deprivation" in relation to the rights the trademark owner retained despite GIs; indeed the degree of "deprivation" is an important component, when assessing the fairness of the balance struck.

<sup>158</sup> US-Standards for Reformulated and Conventional Gasoline, supra note 118 and 133.

Secondly, Article 17 clearly includes a static dimension, i.e. Member States are allowed to maintain existing limitations on trademark rights. The question to what extent Member States are allowed to introduce new exceptions to trademark rights under the TRIPS Agreement is arguably more controversial. 159

Despite the adopted contextual approach, the GI-panel arguably treated Article 17 as well as the TRIPS Agreement itself as only including a static dimension; i.e. a fixed allocation of rights and duties. The GI-panel took the standard of protection expressed in the TRIPS Agreement as the starting point for its analysis when evaluating whether the exceptions were limited and whether the interests of the parties were legitimate. Hence, the limited scope of the exception was ascertained by contrasting it to the international minimum standard of protection; and the legitimacy of interests of third parties was ascertained by equating the interest to the international minimum standard of protection *and* subjecting it to the provisio of Article 17.

Member States are however entitled as well as encouraged to grant more protection for IPRs than the international minimum standard set forth in the TRIPS Agreement. Most Western nations do, and the Member States of the European Community grant higher levels of protection to both trademarks and GIs than mandated by the TRIPS Agreement.

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Article 1.1 of the TRIPS Agreement, *supra* note 1. Even regarding GI protection the TRIPS Agreement can hardly objectively be read as having concluded that e.g. France and Italy agreed to lower their existing GI protection based on their obligation under Article 16 (1).

According to the GI-Panel's reading of Article 24 this issue is and is not governed by international obligations. The TRIPS Agreement mandates protection of trademarks and of GIs but only insofar as the latter does not encroach on the exercise of the former. The GI-Panel thus created a hierarchy of IPRs and seemed to treat the issue of compliance as one of fact not of law, when concluding that the EC regulation did not impact the exercise of trademark rights so as to render the exception too broad to qualify under Article 17. The Panel should as a matter of law (compare to Article 1.1) have shown deference to the Member State and started from the factual presumption that the measure at least in part was mandated by Article 24 of TRIPS. After all, the European Community had not previously offered *any* GI protection. It is at least questionable, whether the GI-Panel had jurisdiction to *interpret* the TRIPS Agreement so as to alter the delicate balance struck in the negotiations that led to TRIPS. Under international law genuine conflicts cannot be solved by way of interpretation. Pauwelyn, *supra* note 3, at 272.

In other words, while the TRIPS Agreement mandates that Member States afford some level of protection for trademarks as well as GIs, an *e contrario* conclusion is not permissible under international law: *the TRIPS Agreement does not mandate protection only to the extent afforded by its provisions*.

The GI-panel treated the minimum standard of protection afforded to GIs under the TRIPS Agreement as a 'ceiling' in the sense that it only recognized these interests as legitimate, and analytically subordinated these interests to those of trademark owners by viewing minimum GI protection as an exception. Regardless of emphasis to the contrary the GI-panel, as panels before it had done regarding copyright and patents, used a standard similar to viewing third party use as interfering with "normal exploitation" or creating "unreasonable prejudice" to the interests of the trademark owner. However, Article 17 explicitly shows deference to national legislatures to strike a fair balance between competing equal interests. A proper inquiry under international law would have treated the protection afforded to GIs under the TRIPS Agreement as a 'floor' and scrutinized only the legitimacy of interests behind national legislation granting additional protection in light of the international minimum standard of trademark protection.

The theory of allocation of trademark rights based on a use-based property system explains the relationships between rights embedded in the TRIPS Agreement. Keeping in mind the necessary link between property rights' allocation and enforcement it is inevitable that only governments can allocate trademark rights for their respective territories. It is within national jurisdiction to strike the final balance between the rights of trademark owners and third parties, since genuine conflicts can only be solved

<sup>162</sup> Compare to Lemley, *supra* note 60, at 1072.

<sup>&</sup>lt;sup>161</sup> See also Article 1.2 of the TRIPS Agreement, *supra* note 1.

internationally by consensus, i.e. treaty amendment. In striking this balance international law mandates that *some*, not absolute, protection be given to IPRs.

On the other hand, international law is the flip side of national law; obligations are allocated instead of rights. Contrary to the findings of the GI-panel, it therefore naturally follows that the coexistence of all obligations is the norm. After all, a contract is meaningless, if a signatory can reap the benefits of international cooperation, but opt out of its obligations. Hence an international instrument cannot be interpreted to allow one or some rights allocations at the national level to become supreme without destroying the system of international law. Instead all treaty interpretation should rest on the presumption of coexistence and conflict avoidance.

## VI CONCLUSION

The TRIPS Agreement does not create an island of international intellectual property law that is isolated from both national and general international law. Instead its provisions should be interpreted in light of the agreement as a whole as well as its practical and

<sup>&</sup>lt;sup>163</sup> The GI-Panel noted that the parties had not alleged a conflict between Articles 16 (1) and 24. Citing previous reports the GI-panel stated that there is a general presumption in international law against conflicts. The cited cases involve instances when respondent Member States have raised a defense alleging conflict between obligations under different agreements. The holdings confirm the general principle of efficiency of treaty interpretation that presumes coexistence of treaty obligations and only supports a finding of formal conflict when an interpretation that avoids conflict is impossible (Panel report Turkey- Restrictions on Imports of Textile and Clothing, WT/DS34/R at 9.92-9.95 (31.5.1999), relying on the previous holdings of the Appellate Body in EC Bananas III, WT/DS26/R (Sept. 9, 1997) and the panel report in Indonesia-Autos, WT/DS54/R (July 2, 1998)). This statement seems to lead the GI-Panel to the conclusion that since there is no formal conflict there is no obligation under international law to consider the relationship between two provisions in the same treaty. The general rule set forth by the cited cases recites the principle of coexistence of obligations as well as the general rule of conflict-avoidance in treaty interpretation. These rules apply in all treaty interpretation regardless of whether a formal conflict is even alleged (See Pauwelyn, supra note 3, at 244). The GI-panel instead resorted to a purely literal interpretation of the text of the TRIPS Agreement according to the ordinary meaning of the words used. A situation where WTO Panels has and thus legitimately can show less deference to national decisions is when the decision undermines the effectiveness of WTO rules and could trigger damaging activities in other Member States. See Jackson 2000, supra note 3, at 161.

contextual framework, according to established principles of customary international law. There are inherent limits to treaty interpretation imbedded in the rules of international jurisdiction and generally great deference should be shown to national legislatures in

implementing the country's international obligations.

Viewing trademark rights as property rights can be both helpful and misleading on the international level. Acknowledging that property rights are inherently relational as well as subject to limitation in the public interest may prove useful when interpreting the provisions of the TRIPS Agreement, especially when the interests of holders of different IPRs are in potential conflict. Approaching the TRIPS Agreement as a complex system of rights allocation, instead of from the point of view of the individual rights holder, results in a more efficient use of all resources. A system premised on the coexistence of multiple users of closely connected, yet distinguishable rights, naturally produces the most efficient result that the market can sustain.

WTO Panels should therefore tread carefully in areas of political contention; applying a contextual approach to treaty interpretation based on an objective assessment of the obligations in the concluded agreement. Although the allocation of obligations in the TRIPS Agreement in this sense is static, interpretation should remain flexible for the purposes of continued development of national legislation in the field of intellectual property law. Promoting the gradual increase in standards of protection of IPRs on the global level is, after all, the objective and purpose of the TRIPS Agreement.