I. Introduction

Today, we live in a global world. Not only communication has been globalized, but also the market for goods and services. Products labelled with a trademark or with a geographic indication (GI) are sold all over the world. However, trademark rights and GIs are territorial. The trademark – like other IP rights – extends only to the territory of the state in which the right is granted. GIs are also territorial. Their protection may only extend to other countries if expressly provided by bilateral or multilateral treaties, such as the Lisbon Agreement on the protection of appellations of origin. Community Trademarks and GIs registered under the EC Regulation 2081/92 extend to the entire EU.

If products or services are sold in the same market, bearing a trademark identical or similar to a GI, a conflict arises which may lead to fierce litigation, which we may call “war” between the owners of the trademark and the conflicting GI. Well-known examples are the Torres and the Budweiser cases.

Torres is a Spanish trademark for wine established more than 90 years ago, which came into conflict with the Portuguese designation Torres-Vedras, created by the Portuguese Government for a wine-producing area in 1981.

The designation Budweiser enjoys protection as an appellation of origin (AO) in the Czech Republic and - pursuant to the Lisbon Agreement - in other countries. Budweiser is also a trademark for the best-selling beer brand in the world, of the American brewery Anheuser-Busch.

Peace in such conflicts can only be achieved if rules are developed resolving the conflict in a fair and equitable way.

To enhance world trade, the members of GATT founded in December 1993 the World Trade Organization (WTO) and entered into a number of agreements including the Agreement on “Trade-Related Aspects of Intellectual Property Law”, abbreviated as TRIPS. In Section II, TRIPS provides for a minimum standard of trademark protection and in Section III it affords protection to GIs. The WTO has a Dispute Settlement Body. The members of the WTO can request the Dispute Settlement Body to establish a Panel to resolve a dispute on the compliance with the TRIPS provisions.
II. “War” between trademarks and GIs

1) In 2003, Australia and the US brought an action against the EU claiming that a number of provisions of the EC Regulation 2081/92 on the Protection of GIs for Agricultural Products constitute a violation of TRIPS, in particular Art. 14 (2) providing co-existence between a prior trademark and a later identical or confusingly similar GI.

The Commission representing the EU stated in a brief submitted to the Panel:

“Geographical indications are the common patrimony of all producers of a certain area and, ultimately, of the entire population of the area which may potentially qualify for the right to use the geographical indication. It would be unfair to deprive the population from the use of the geographical designation for the exclusive benefit of an individual trademark owner … simply, because he happened to register the name first as a trademark.”

That statement of the Commission means war. The message is: GIs should always enjoy protection even if they are in clear conflict with a prior trademark. In cases of a conflict, the principle of priority has to be ignored because there is an inherent superiority of GIs over trademarks. GIs are more valuable than trademarks.

2) The Advocate General to the European Court of Justice (ECJ) Mr. Francis Jacobs expressed a totally different view in his famous opinion delivered in The Hague II case in 1990. He said:

“At least in economic terms and perhaps also from the human point of view, trademarks are no less important and no less deserving of protection, than any other form of intellectual property. They are, in the words of an author [W. R. Cornish] nothing more or less than the fundament of most market-place competition.”

Advocate General Jacobs continued to say:

“Without trademark protection there would be little incentive for manufacturers to develop new products or maintain the quality of existing ones.”

That statement may imply superiority of trademarks over GIs, in particular if one bears in mind that there are countries which protect GIs only under the principles against unfair competition and do not consider them as a property right per se.

III. Rules for peace between trademarks and GIs

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1 Panel Report WT/DS174/R
However, since TRIPS has come into force, there can be hardly any doubt that GIs are IP rights. They stand on the same footing as any other IP right. There is neither superiority of trademarks over GIs, nor superiority of GIs over trademarks. Conflicts between these rights should be resolved by the same rules which govern the conflict between other IP rights. These rules are:

- Priority – first in time, first in right, and
- Territoriality.

The principle of priority is established in the Agreement of the Paris Union of 1883 as well as in Art. 16 TRIPS. The ECJ stated in the Budweiser case of November 16, 2004 that priority is “the basic principle of trademark law and, more generally, of all industrial property law” (No. 98).  

Co-existence between trademarks and GIs is not a rule which should be applied in cases of conflict since it causes dilution of the value of the prior right. Co-existence of confusing rights might be applied in exceptional cases, but it can never be a general alternative to first in time, first in right.

Art. 14 of the EC Regulation on the Protection of GIs provides for the application of the priority principle only to a limited extent. A prior GI prevails always over a later conflicting trademark, a prior trademark prevails however, over a later conflicting GI only if the trademark has gained reputation and renown and has been used for some time and in addition if the registration of the later GI “is liable to mislead the consumers to the true identity of the product” (Art. 14 (3)). However, where the younger trademark is not well-known, Art. 14 (2) provides for co-existence with the later GI even if the GI is identical with the pre-existing trademark.

**IV. The WTO Dispute Panel decision on GIs of March 15, 2005**

In the case before the WTO Dispute Settlement Panel, the EU defended co-existence among other arguments by reference to Art. 24 (5) TRIPS. Art. 24 (5) TRIPS does not mention the term co-existence. It provides that the implementation of Section III governing the protection of GIs shall not prejudice validity or use of a prior trademark application which is identical or similar to a later GI. The Panel rejected the argument of the EU and held that Art. 24 (5) is not an exception to the priority principle of Art. 16 TRIPS, but an exception to the obligation of the member states of the WTO to protect GIs generally (Art. 22 TRIPS), and to the additional absolute protection of GIs for wines and spirits pursuant to Art. 23 TRIPS. The Dispute Settlement Panel, however, accepted another argument of the EU based on Art. 17 TRIPS. Art. 17 provides

“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 interest of the owner of a trademark and third parties.”

The Panel interpreted the exception to the exclusive right of the trademark owner very narrowly. It made two qualifications for a permissable use of the GI conflicting with a prior trademark.

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4 Anheuser-Busch v. Budejovicky Budvar, narodni podnik, case C-245/02
First, the Panel found that Art. 17 does not apply if there is a “relatively high” likelihood of confusion with a pre-existing trademark. In each and every case, the EC Commission must examine whether such likelihood of confusion exists and if it does, it must refuse protection to the GI pursuant to the Regulation. It can be concluded from the Panel’s report that even in the event of a “relatively high” likelihood of confusion in only a single EU Member State, protection of the GI must be refused. It is clear that there is a relatively high likelihood of confusion if an identical GI is registered, used for goods which are identical to the pre-existing trademark.

There is a second qualification regarding the scope of the registered GI. Protection is only granted to the GI as registered. The registration “does not confer a positive right to use any other signs or combinations of signs, nor the use of the name in any other linguistic versions not entered into the register.” That qualification has far-reaching consequences, e.g. the GI registration of Münchner Bier does not give the right to use the designation Bavaria. In all countries where the Dutch brewery Bavaria has pre-existing trademark rights in the name Bavaria, it can enjoin the use of the identical GI Bavaria.

Since the ruling of the Panel, the EC Commission has not rendered any decision on the conflict between a pre-existing trademark and a confusingly similar GI. Based on the very narrow interpretation of Art. 17 TRIPS, there is not much room for co-existence under Art. 14 (2) of the Regulation. When the Commission examines an application for registration of a GI, and there is a similar pre-existing trademark, it will have to check the manner in which the GI is used. Only if there is not a relatively high likelihood of confusion, the GI can be registered. That might be the case where the GI is used geographically descriptive. In such cases, the value of the pre-existing trademark would not be diluted by the use of the GI.

V. Trademarks are protected property against unlawful expropriation.

The recent decision of the European Court of Human Rights (ECHR) regarding expropriation of a trademark will strengthen the position of trademark owners which are in conflict with confusingly similar GIs. In its decision of October 11, 2005, the ECHR held that a finally registered trademark constitutes a “possession” within the meaning of Art. 1 of Protocol No. 1 to the European Convention on Human Rights, which is protected against unlawful expropriation. It is the first case in which trademark rights have been recognized as property under Art. 1 of Protocol No. 1.

For a better understanding, I have to state the facts of the case: Anheuser-Busch filed in 1981 in Portugal its trademark Budweiser for registration. After Anheuser-Busch was successful in cancelling Budejovicky Budvar’s appellation of origin, which included the term "Budweiser Beer", protected in Portugal under the Lisbon Agreement, the Budweiser trademark proceeded to registration in 1995.

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5 para 7.670 of the Panel Report WT/DS174/R
6 para 7.657 of the Panel Report WT/DS174/R
However, in 1986, Portugal and what was then Czechoslovakia concluded an agreement on the protection of GIs. That Agreement protected the designations "Ceskobudejovicke pivo" and "Ceske Budejovicky Budvar" for beer from the town Ceske Budejovice.

Based on that Agreement, Budejovicky Budvar (BB) challenged the Budweiser registration. The Court of first instance of Lisbon dismissed BB’s action. The Court of Appeals overturned that decision finding that the registration of the trademark Budweiser violated the 1986 Agreement, despite the fact – as the Court itself stated – the trademark Budweiser was neither misleading in Portugal nor understood by Portuguese consumers as possibly referring to a city in the Czech Republic. The Portuguese Supreme Court upheld the decision of the Court of Appeals. Anheuser-Busch then filed a complaint with the ECHR, arguing that the Portuguese Supreme Court’s interpretation of the 1986 Agreement was an unlawful expropriation of the Budweiser trademark.

The ECHR unanimously held that a finally registered trademark constitutes a possession within the meaning of Protocol 1 No. 1 of the Convention protected against unlawful expropriation. The Court did not, however, look at the situation after the trademark was registered in 1995. Instead, the Court focused on the trademark situation when the 1986 Agreement was concluded. At that time, the trademark application had not proceeded to registration. Therefore, the crucial question for the Court was whether the trademark application was a protected legitimate expectation – i.e. whether the application constituted such a strong legal position that it amounted to a possession (property) within the meaning of the Protocol 1 Art. 1 of the Convention.

The five-judge majority acknowledged several property right elements of a Portuguese trademark application – such as a assignability, as well as partial enforceability – but nevertheless found that the application did not have the strength of a legitimate expectation. Accordingly, the majority dismissed the action.

In contrast to the majority, Section President Jean-Paul Costa of France and the ECHR Vice President, Ireneu Cabral Barreto of Portugal dissented, disagreeing with the majority. They were of the opinion that a Portuguese trademark application constitutes a legitimate expectation which is protected as a "possession" against unlawful expropriation.

Anheuser-Busch has appealed the decision to the Grand Chamber of the ECHR. In more than 90% of the cases, appeals are not admitted. However, in this case, a Panel of 5 judges of the Grand Chamber decided to admit the appeal. They referred the case to the Grand Chamber, which consists of 17 judges. A decision can be expected during the second part of this year.

Irrespective of whether the Grand Chamber follows the opinion of the dissenting judges and finds that the trademark application constitutes already a protected possession or whether it confirms the decision of the ECHR, trademark owners have achieved a great victory, because the ECHR has endorsed fundamental rights protection to trademarks.

Since the WTO Dispute Resolution Panel found in its decision that the EC Regulation 2081/92 on the protection of GIs violates TRIPS because it discriminates nationals of non-EU members of the WTO, the Council of the EU, on recommendation of the Commission issued in March 2006 a new regulation for the protection of GIs. The new Regulation im-

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plements the decision of the WTO Dispute Resolution Panel. Without any needs, the co-existence provision in Art. 14 (2) was also amended. According to the new wording, trademarks applied for, registered or established by use before January 1, 1996 can co-exist with conflicting GIs submitted later for registration than the rights created by the trademark owner. The new wording is ambiguous. The issue is whether trademarks created after January 1, 1996 can co-exist with conflicting GIs submitted later for registration than the rights created by the trademark owners, or whether these trademarks have a phase-out period of 5 years (Art. 13 of the Regulation). An interpretation of the new provision resulting in a phase-out period of prior trademarks could not be justified by Art. 17 TRIPS, but would constitute a violation of Art. 16 TRIPS and might result in an unlawful expropriation of the prior trademark. The EC Commission is of the opinion that the reference date in Art. 14 (2), e.g. the date of January 1, 1996, has been introduced in full respect of Art. 24 (5) TRIPS. This wording does not prevent co-existence of trademarks applied for, registered or established by use after the date with GIs registered at a later date than the trademark. Let us hope that the courts will confirm that view, otherwise all trademarks, in particular Community trademarks, which were created after January 1, 1996 would be adversely affected.

VI. Outcome of the WTO Ministerial Conference held in Hong Kong

The 6th WTO Ministerial Conference was held in Hong Kong in December of last year. The extension of a possible protection of GIs was one point of the agenda.

Pursuant to Art. 23 (1) of the TRIPS Agreement, wines and spirits enjoy absolute protection. Trademarks for wines and spirits conflicting with a GI shall be refused or invalidated ex officio, even if they do not mislead the public as to the geographical origin of the goods.

Art. 23 (4) of TRIPS provides that negotiations shall be undertaken in the Council for TRIPS concerning the establishment of a multi-national system of notification and registration of GIs for wines. In the Ministerial Declaration adopted on November 14, 2001 in Doha (Doha Declaration), the implementation of Art. 23 (4) TRIPS was included in the work programme. It was agreed to negotiate the establishment of a multi-lateral system of notification and registration of GIs for wines as well as for spirits. There was a note in the Doha Declaration that issues related to the extension of geographical indications provided for in Art. 23 to products other than wines and spirits should be addressed in the Council for TRIPS.

Based on the mentioned Doha Declaration, the EU has proposed an extension of the absolute protection for GIs for all kinds of products. In addition, the EU proposed the establishment of a multinational register for GIs for all products and not only wines and spirits. The multilateral notification and registration for wines and spirits is part of the inbuilt agenda of the TRIPS Agreement. However, the extension of the absolute protection of GIs to products other than wines and spirits as well as a multilateral notification and registration system for all GIs requires an amendment of Art. 23 of the TRIPS Agreement.

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9 Paragraph 39 Ministerial Declaration Hong Kong - http://www.wto.org/English/thewto_e/minist_e/min05_e/final_text_e.htm
10 Ministerial Declaration of November 14, 2001 in Doha, Paragraph 12, WT/MIN(01)/(DEC1) - http://www.wto.org/English/thewto_e/minist_e/min01_e/mindecl_e.htm
Such an amendment can only be reached by consensus of the Member States of the WTO.

It will not surprise you that the proposal for an extended protection of GIs at the expense of trademarks has been opposed by several members of the WTO including Argentina, Australia, Canada, Japan and the USA. Already prior to the Ministerial Conference in Hong Kong, there were very controversial debates on the extended protection of GIs beyond the current provisions of TRIPS. The debate continued in Hong Kong. No progress was made, it was only agreed to continue the discussions on a multi-lateral notification and registration system in particular for wines and spirits. Progress and hopefully an understanding shall be reached by July 31, 2006.

I appreciate the opposition to an extended absolute protection for other products than wines and spirits. The TRIPS Agreement protects GIs (Art. 22) against the registration or use of trademarks or other sign which mislead the public as to the geographical origin of the goods. Those misleading signs can be enjoined by the owner of the GI. Trademarks are protected against the use of identical or confusingly similar signs. In other words, the scope of protection of GIs and trademarks does not differ substantially. I have not seen any convincing reason which may justify the absolute protection of all GIs. The absolute protection of GIs for all goods or services would certainly limit severely the number of words available for trademark protection. Furthermore, it would lead to refusals of trademark applications on the mere ground that such application co-insists with a place name. Please bear in mind that there approximately 2 million place names in the world. All these words and their translations into more than 4,000 to 6,000 languages would no longer be available for use as a trademark. We have many trademarks consisting of a place name, such as Philadelphia for cheese or Nokia for mobile phones. Consumer are not misled by the use of these trademarks because they do not associate Philadelphia cheese with the city of Philadelphia or Nokia mobile phones with the small town Nokia in Finland.

VII. Conclusion

I believe that the desire to extend the protection of GIs is still based on the thinking that GIs are superior to trademarks. If that thinking prevails, the war between GIs and trademarks will continue. Peace can only be reached if GIs are treated on the same footing as trademarks and that conflicts between both signs are resolved by the principles of priority and territoriality.

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