

**Council for Trade-Related Aspects
of Intellectual Property Rights**

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**OPPOSITION/CHALLENGE PROCEDURE IN THE MULTILATERAL SYSTEM OF
NOTIFICATION AND REGISTRATION OF GEOGRAPHICAL INDICATIONS**

Communication from Hungary

By means of a communication, dated 27 November 2000, the following text has been received from the Permanent Mission of the Republic of Hungary with the request that it be circulated to Members.

1. Hungary is clearly interested in the expeditious establishment of an adequate, effective and credible multilateral system of notification and registration of geographical indications (GIs). This system should be in full conformity with the letter and spirit of Article 23.4, i.e. it should facilitate the protection of GIs not only by setting up a database of information, but also by including an adequate registration mechanism. Among the various proposals submitted to the Council for TRIPS to date, Hungary generally supports the one contained in the proposal from the European Communities and their member States (IP/C/W/107/Rev.1), because, in Hungary's view, this is the only approach suggested so far, which is in line with Article 23.4 in this latter respect.

2. The purpose of this communication is to move forward the mandated negotiations in the Council for TRIPS on the establishment of the multilateral system of notification and registration by providing some input with respect to the opposition/challenge procedure and its effects concerning the registration of a GI notified under the system.

3. Hungary believes that an effective and fair procedure for the opposition of registrations and the solution of possible disagreements over them (hereinafter opposition procedure) is an indispensable element of the multilateral system of notification and registration for GIs. Such a system is necessary to ensure that the register does not contain misleading GIs and effectively and genuinely facilitates the protection of geographical indications, as set out in Article 23.4 of the TRIPS Agreement.

4. In Hungary's view, the opposition procedure should be simple and should comfortably fit into the WTO framework. At the same time, it is questionable whether possible disagreements over the multilateral registration of individual geographical indications can be solved under the Dispute Settlement Understanding (DSU). Therefore, there seems to be a need for a system operating outside of the dispute settlement mechanism of the WTO to adequately handle these cases.

5. Hungary suggests that this system should combine direct bilateral consultations, as proposed by the European Communities and their members States in the proposal referred to above, with a multilateral procedure for cases where direct discussions between the parties do not yield a bilateral settlement. Hungary hopes that bilateral consultations about a challenged notification will result in

mutually acceptable solutions in the vast majority of cases. However, in Hungary's view, in the case of disagreement about a challenge, the possibility to seek a solution of a multilateral character is absolutely necessary to ensure that smaller WTO Members, which obviously have limited bilateral bargaining power, enjoy the same opportunities for representing their legitimate commercial interests as bigger ones. Another compelling reason for having a multilateral mechanism is the need to ensure the prevention of abuse. In Hungary's view, it should be up to a multilateral mechanism (and should not be left to individual Members) to decide whether a challenge is justified or not, i.e. if it meets the conditions to be laid out by the Members on the basis of Section 3 of the TRIPS Agreement.

6. Regarding the form of the multilateral procedure for settling disagreements concerning the registration of a notified GI, Hungary would like to suggest that the Council for TRIPS explores the possibility of establishing a specific arbitration system. Hungary notes that such an approach would not be alien to the settlement of disputes in the WTO. Final and binding arbitration, as a means for settling disputes in specific cases as well as in general, is explicitly recognized in Article 22.7 of the DSU and Article 8.5¹ of the Agreement on Subsidies and Countervailing Measures, as well as in Article 25 of the DSU respectively.

7. Accordingly, the decision of the arbitrators with respect to a challenge should be final and binding upon the parties. In addition, this decision should have an *erga omnes* effect, i.e. as a result of a successful challenge the notified geographical indication should not be entered in the register (or should be deleted from it) and thereby neither the challenging Member nor any third party should be under obligation to provide protection for it. In Hungary's view, this is essential to ensure that the effect of the system is in line with the intent in Article 23.4 and that the system efficiently serves the commercial interests of the "owners" of GIs. The lack of an *erga omnes* effect could easily lead to a situation where a misleading (successfully challenged) GI would have to be protected in third Members by virtue of its multilateral registration. This would clearly hurt, on all third markets, the legitimate commercial interests of the Member which successfully challenged it.

8. The arbitration body would notify the Council for TRIPS and the WTO Secretariat of its award. The WTO Secretariat, on the basis of the notification of the arbitration body, would be responsible for entering the decision in the multilateral register of GIs and it would publish the decision.

9. Hungary believes that detailed procedures should be worked out by the Council for TRIPS and should be clearly laid down in the Agreement on the establishment of the multilateral system of notification and registration of geographical indications for the process of bilateral consultations and arbitration. When developing these procedures, in Hungary's view, Members should, to the fullest extent possible, build upon existing WTO procedures and principles, including those set out in the DSU.

10. Hungary would like to propose that the Council for TRIPS examines, in a thorough manner, the establishment of a multilateral mechanism for settling disagreements concerning the notification and registration of GIs in the framework of the system to be set up under Article 23.4 of the TRIPS Agreement. In Hungary's view, the special arbitration mechanism outlined above could be an effective and viable way of providing for this. Nevertheless, Hungary is open to discuss any other solution that would be effective, simple and would take care of the two most important preoccupations elaborated above, i.e. that there should be a multilateral possibility to challenge the registration of a notified GI and that the result of a challenge should apply on an *erga omnes* basis.

¹ This Article was provisionally applied until the end of 1999.