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DISPUTE SETTLEMENT WITHIN THE LISBON SYSTEM

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I. INTRODUCTION

1. At its twenty-third (6th extraordinary) session held in Geneva from September 22 to 30, 2008, the Assembly of the Lisbon Union decided to establish a Working Group responsible for exploring possible improvements of the procedures under the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration (hereinafter referred to as the “Lisbon Agreement”).

2. At its first session, which took place in Geneva from March 17 to 20, 2009, the Working Group on the Development of the Lisbon System (Appellations of Origin) (hereinafter referred to as the “Working Group”) agreed, *inter alia*, that the International Bureau of the World Intellectual Property Organization (WIPO) should conduct a survey with a view to ascertaining how the Lisbon system might be improved, in order that the system would become more attractive for users and prospective new members of the Lisbon Agreement while preserving the principles and objectives of the Agreement. At its twenty-fifth (18th ordinary) session, the Assembly of the Lisbon Union, when renewing the mandate of the Working Group, took note of this initiative¹.

3. At its second session, which took place in Geneva from August 30 to September 3, 2010, the Working Group discussed the results of the survey on the Lisbon system². As to its future work, the Working Group agreed

“that, for its next session, the International Bureau prepare draft provisions on the various topics addressed under Questions 1 to 9 [of document LI/WG/DEV/2/2] taking into account all comments made in [that] ... session, in order for the work on the development of the Lisbon system to become more focused. These draft provisions should contain alternative versions and leave open the question as to the legal instrument by which they might be formalized, while preserving the principles and objectives of the Lisbon Agreement.”³

4. In addition, the Working Group also agreed

“to invite the Secretariat to prepare a study on the possibility of dispute settlement within the Lisbon system, as it might be useful to explore in which situations dispute settlement might be appropriate and in what form ... [and] ... that the study could also include information on the existing

¹ LI/A/25/3

² LI/WG/DEV/2/2

³ LI/WG/DEV/2/4, paragraph 38

dispute settlement systems in the intellectual property area and the legislative history in that regard.”⁴

5. In response to the Working Group’s request for draft provisions, the International Bureau presented a document⁵ putting forward two sets of draft provisions. The first set of such proposals consisted of draft amendments to the current Regulations under the Lisbon Agreement (hereinafter referred to as the “Lisbon Regulations”)⁶. They concerned proposed amendments to Rule 5(3) of the Lisbon Regulations (Optional Contents of the International Application) and to Rule 16(1) of the Lisbon Regulations (Notification of Invalidation to the International Bureau). At its third session, which took place in Geneva from May 23 to 26, 2011, the Working Group agreed that the International Bureau should submit the afore-mentioned proposed amendments to Rule 5(3) and Rule 16(1) of the Lisbon Regulations⁷ to the Assembly of the Lisbon Union, for adoption at its session to be held in September/October 2011. The second set of draft provisions⁸ concerned the following issues: (i) basis for protection and definitions, (ii) filing of international applications, (iii) accession criteria for intergovernmental organizations, (iv) international registration, (v) scope of protection, (vi) prior use and (vii) procedures in contracting parties prior to the issuance of possible refusals and for challenging refusals issued. With regard to this second set of draft provisions, which left open the question as to the legal instrument by which they might be formalized, the Working Group was invited⁹ to indicate its recommendations both in respect of content and the possible initiation of a process that might result in a revision of the Lisbon Agreement and/or the conclusion of a protocol or a new treaty supplementing the Agreement¹⁰. Following a discussion about the second set of draft provisions

⁴ LI/WG/DEV/2/4, paragraph 39

⁵ LI/WG/DEV/3/2

⁶ LI/WG/DEV/3/2, Annex I

⁷ LI/WG/DEV/3/3, paragraph 13 and Annex

⁸ LI/WG/DEV/3/2, Annex II

⁹ LI/WG/DEV/3/2, paragraphs 5 and 8(iii)

¹⁰ An interesting option was presented by the “Draft Treaty on the Protection of Geographical Indications” prepared by the International Bureau for the second session of the Committee on the International Protection of Appellations of Origin and Other Indications of Source, which was held in Geneva from December 1 to 5, 1975. It would have provided for a two-tier system through allowing reservations to be made. “One feature of the Draft is that it provides for two types of protection. The first type is covered by Chapter I (supplemented by the common provisions in Chapter III) and amounts to a simplification and modernization of the system of the Madrid Agreement. The second type of protection is dealt with in Chapter II (also supplemented by the common provisions in Chapter III), which provides for a system of registration similar to that of the Lisbon Agreement, but with some important changes. There could be a provision to the effect that Chapter II may be subject to reservation. There would thus be two groups of Contracting States: the first group would consist of those which, having made the above-mentioned reservation, would not be bound by Chapter II and, in respect of the substantive provisions, would apply only those of Chapter I and III in their relations with all other Contracting States; the second group would consist of those which, not having made the above-mentioned reservation, would have to apply all the substantive provisions of the Treaty in their relations with the other States in this second group, but would only need to apply Chapters I and III in their relations with States of the first group. A system of this kind would afford the widest possible geographical scope to the Treaty, since it is extremely probable that

(which were contained in Annex II to the document in question), the Working Group agreed at its third session that the Assembly of the Lisbon Union be requested to take note, at its session to be held in September/October 2011, of the following:

“(i) that the Working Group had made considerable progress on the development of the Lisbon system and that work would continue with a view to further preparing a process that might result in a revision of the Lisbon Agreement and/or the conclusion of a protocol or a new treaty supplementing the Lisbon Agreement;

(ii) that the Working Group had requested the Secretariat to prepare a draft new instrument containing the draft provisions set out in Annex II, as revised on the basis of comments made in ... [that third] session of the Working Group, as well as any further draft provisions the inclusion of which would be necessary for making the draft new instrument as complete as possible;

(iii) that further meetings of the Working Group would be convened and would be held more frequently, preferably twice a year.”¹¹

6. Although some of the draft provisions¹² in Annex II of document LI/WG/DEV/3/2 (hereinafter referred to as the “Draft Provisions”) did touch upon certain dispute settlement aspects, a separate, complete study on the possibility of dispute settlement within the Lisbon system was not presented by the International Bureau to the third session of the Working Group. It was understood that such a study would feature on the agenda of the next, fourth session of the Working Group. Against this background, the main purpose of this paper is to examine the possibility of dispute settlement within the Lisbon system in some more detail.

certain States would have difficulty in acceding to the Treaty without the possibility of reservation.” TAO/II/2, paragraph 4. The working document of the International Bureau also described the effects of this two-tier system on the institutional and administrative provisions of the Draft Treaty. “In paragraph 4 of the Introduction to this document, mention was made of the possibility of providing for a reservation whereby any state, at the time of signing the Treaty or depositing its instrument of ratification or accession, could declare that it was not bound by the provisions of Chapter II. Contracting States having made such a declaration would not be bound by the provisions of Chapter II and the corresponding provisions of the Regulations. The inclusion in the Treaty of the possibility of such a reservation would imply some changes in other provisions. Thus, Article 19 (Assembly) would have to contain a provision to the effect that only States bound by Chapter II could vote on questions exclusively of interest to them. On the other hand, Article 21 (Finances) could provide that, should contributions be necessary because of expenses arising from the administration of Chapter II, the Assembly could decide to reduce the contributions due by states not bound by Chapter II. Lastly, Article 22 (Regulations) would have to state in paragraph (3) that only States bound by Chapter II had the right to vote in order to amend the Regulations.” TAO/II/2, Comments on Articles 19 to 32, page 50

¹¹ LI/WG/DEV/3/3, paragraph 14

¹² See in particular draft provisions F and G, and paragraphs 34-39 of that document.

7. In this context, it is worth recalling that the issue of dispute settlement was already addressed in the survey on the Lisbon system. The working document prepared by the Secretariat on the results of the survey¹³ gave the following summary of the contributions on that particular issue:

“115. Several contributions suggest that the Working Group should consider the possible introduction of a mechanism for the settlement of disputes concerning issues related to the Lisbon system.

116. The contribution from a Lisbon Member State indicates that the ground on which a declaration of refusal is based may be a piece of legislation or an administrative decree of normative character. The same is true for the international registration itself, which may also be based on legislative or administrative provisions. As a result, a country notifying a declaration of refusal can easily find itself in an inter-State conflict with the country of origin over the protection of the appellation of origin in question. It is therefore suggested that a means for efficiently settling such disputes might be developed. Another Lisbon Member State suggests that disputes arising from the implementation of the Lisbon Agreement could be settled via the WIPO Arbitration and Mediation Center.

117. The intergovernmental organization that answered the survey’s questionnaire also suggests consideration by the Working Group of the need for an efficient way of settling disputes between Contracting Parties of the Lisbon system, for example through the WIPO Arbitration and Mediation Center. This view is shared by one of the non-governmental organizations that contributed to the survey.

118. The contribution from one of the academic institutions suggests that WIPO could be an international basis for the resolution of conflicts between appellations of origin or geographical indications and prior users of those names. One of the non-governmental organizations is also of the opinion that the possibility should be given to interested private parties to refer any dispute related to the application of the Agreement to mediation and/or arbitration (via the WIPO Arbitration and Mediation Center). [...]

119. A Lisbon Member State indicates in its contribution that, if a contracting country finds that an international registration that is notified to it conflicts with an appellation of origin from its own territory, it can only notify a declaration of refusal with respect to its own territory; declarations of refusal do not have effect in other Member States. In

¹³ LI/WG/DEV/2/2. See also LI/WG/DEV/2/5 Prov. 2, paragraphs 243-252

respect of those other Member States, the only option that remains open is invalidation of the effects of the international registration in each of the other Member States separately and only to the extent that the law of such other Member State would provide for invalidation in the given circumstances.”

II. WHAT KIND OF DISPUTES – WHAT KIND OF SETTLEMENT?

8. Dispute settlement may seem a relatively broad concept. However, in current legal thinking it is primarily associated with either alternative dispute resolution¹⁴, or the dispute settlement mechanism of the World Trade Organization (WTO)¹⁵. Both customary meanings of the term may have relevance for dispute settlement within the Lisbon system. The WIPO Arbitration and Mediation Center offers Alternative Dispute Resolution (ADR) options¹⁶ for the resolution of international commercial disputes between private parties. There seems to be nothing in the statutes of the Center that would limit its competence to disputes concerning only certain intellectual property titles¹⁷.

¹⁴ Alternative dispute resolution is defined as “procedures for settling disputes by means other than litigation; *e.g.* by arbitration, mediation, or minitrials. Such procedures, which are usually less costly and more expeditious than litigation, are increasingly being used in commercial and labor issues ..., and in other disputes that would likely otherwise involve court litigation.” See at <http://legal-dictionary.thefreedictionary.com/alternative+dispute+resolution>. See also the issues of the Journal of International Dispute Settlement, <http://jids.oxfordjournals.org>. There is also a piece of European Union legislation on this issue, namely Directive 2008/52/EC of the European Parliament and of the Council of 21 May 2008 on certain aspects of mediation in civil and commercial matters (OJ L 136, 24.5.2008, p. 3). It is important to note, however, that “the term alternative dispute resolution is to some degree a misnomer. ... [I]t is more accurate to think of litigation as the alternative and ADR as the norm. Despite this fact, the term alternative dispute resolution has become such a well-accepted shorthand for the vast array of nonlitigation processes that its continued use seems assured.” See at <http://legal-dictionary.thefreedictionary.com/alternative+dispute+resolution>

¹⁵ David Palmeter, Petros C. Mavroidis: *Dispute Settlement in the World Trade Organization*, The Hague, London, Boston, 1999, pages 1-313. John H. Jackson: *Designing and Implementing Effective Dispute Settlement Procedures: WTO Dispute Settlement, Appraisal and Prospects*, in: *The WTO as an International Organization*, ed.: Anne O. Krueger, Chicago, London, 1998, pages 161-180. Daniel Gervais: *The TRIPS Agreement. Drafting History and Analysis*, London, 1998, pages 246-252. See also <http://www.cid.harvard.edu/cidtrade/issues/dispute.html>, <http://www.economics-dictionary.com/definition/Dispute-settlement.html>, and <http://www.economics-dictionary.com/definition/Dispute-Settlement-Mechanism.html>.

¹⁶ The Center offers the following ADR options: mediation, arbitration, expedited arbitration, expert determination. For more details see <http://www.wipo.int/amc/en/center/wipo-adr.html>. A bibliography on intellectual property arbitration and mediation can be found at <http://www.wipo.int/amc/en/center/bibliography/general.html>.

¹⁷ “The Rules governing the WIPO dispute-resolution procedures contain features that are especially suitable for disputes involving intellectual property, such as licensing agreements or other forms of transaction relating to patents, trademarks, copyright or know-how. However, the Rules can be used for the resolution of all commercial disputes, including those not involving intellectual property.” See at <http://www.wipo.int/amc/en/center/faq/index.html>. “The subject matter of these proceedings includes both contractual disputes (*e.g.* patent and software licenses, trademark coexistence agreements, distribution agreements for pharmaceutical products and research and development agreements) and non-contractual disputes (*e.g.* patent infringement).” See at <http://www.wipo.int/amc/en/center/background.html>. It is to be noted that examples of both mediations and arbitrations conducted under the WIPO Rules include trademark coexistence

It extends to disputes involving any intellectual property title, including appellations of origin and geographical indications. In the WTO, to date there have been 29 cases under the TRIPS Agreement involving the application of the Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU)¹⁸. Two of them directly related to the protection of geographical indications¹⁹. At the same time, these two categories represent the two major types of dispute resolution: resolution of commercial disputes between private parties as an alternative to court litigation (usually but not necessarily with an international dimension), and settlement of disputes between states (or other subjects of international law) concerning the application of a “government-to-government” agreement under international public law.

9. The application of the Lisbon Agreement may lead to various types of disputes. They may concern the eligibility of a given appellation of origin for protection under the Agreement, conflicts with earlier rights, and enforcement of the rights conferred by the protection of appellations of origin. They can be disputes between private parties, between a competent authority of a contracting country²⁰ and an interested (private) party, between contracting countries, and, in theory, even between the International Bureau and the competent authority of a contracting country. Disputes may arise and be settled under the Lisbon Agreement, or the law of the contracting country concerned, or both. These categories may not be separated from one another in a watertight manner, their contours may easily become blurred. This is particularly due to the fact that in the Lisbon system, the ground on which a refusal is based can directly be a piece of legislation or an administrative decree of normative character²¹. The same is true for the protection in the country of origin: it can also be based on legislative or administrative provisions²². Therefore, as it has been already pointed out, a country making a declaration of refusal can easily find itself in an inter-state conflict with the country of origin over the protection of the appellation in question, although, in principle, it is the interested party that may resort, in the

disputes. See at <http://www.wipo.int/amc/en/mediation/case-example.html> and at <http://www.wipo.int/amc/en/arbitration/case-example.html>.

¹⁸ http://www.wto.org/english/tratop_e/dispu_e/dispu_agreements_index_e.htm?id=A26#selected_agreement

¹⁹ European Communities – Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs, DS174, DS290, the report in both cases was adopted by a single Panel. See at http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds174_e.htm and at http://www.wto.org/english/tratop_e/dispu_e/cases_e/1pagesum_e/ds174sum_e.pdf.

²⁰ Although there is wide support within the Working Group for opening up the Lisbon system to the accession of competent intergovernmental organizations (LI/WG/DEV/2/4, paragraphs 12-17), and a study (LI/WG/DEV2/3) and a Draft Provision (LI/WG/DEV/3/2, Annex II, Draft Provision C, paragraphs 19-24) have been prepared on this issue, this paper sticks to the current terminology of the Lisbon Agreement and its Regulations.

²¹ See Rule 9(2)(iii) of the Lisbon Regulations

²² See Rule 5(2)(vi) of the Lisbon Regulations

country making a declaration of refusal, to all the judicial and administrative remedies open to the nationals of that country²³.

10. What follows is an outline of the “dispute settlement”²⁴ options available under the current legal regime of the Lisbon system with occasional attempts to provide an outlook for their further development. Substantive aspects of the various possible debates, such as the yardstick for genericness or the issue of the substantive rules that should apply to conflicts between earlier trademarks and appellations of origin, will not be addressed.

III. SETTLEMENT OF DISPUTES ARISING BEFORE THE INTERNATIONAL REGISTRATION OF AN APPELLATION OF ORIGIN

11. Under Article 5(1) of the Lisbon Agreement it is only the competent authority of the contracting country that can request the international registration of an appellation of origin²⁵, although, it can only do so in the name of those having the right to use the appellation:

“The registration of appellations of origin shall be effected with the International Bureau, at the request of the Authorities of the countries of the Special Union, in the name of any natural persons or legal entities, public or private, having, according to their national legislation, the right to use such appellations.”

12. In addition, it follows clearly from Article 1(2) of the Lisbon Agreement that protection of the appellation in the country of origin is a *sine qua non* condition of protection and international registration under the Lisbon Agreement²⁶. Whether or not a certain appellation of origin is granted protection in its country of origin is an internal decision of the country of origin²⁷. It is to be taken under the relevant legislation applicable in that country and there is no provision in the Lisbon Agreement that would interfere with that decision. The

²³ See Article 5(5) of the Lisbon Agreement

²⁴ In the broadest sense of this term.

²⁵ See also Rule 5(1) of the Lisbon Regulations, which provides, *inter alia*, that “[a]n international application shall be presented to the International Bureau by the competent authority of the country of origin”.

²⁶ In accordance with this, Rule 5(2)(iii) of the Lisbon Regulations requires that [t]he international application shall indicate [...] the title and date of the legislative provisions, the judicial decisions or the date and number of the registration by virtue of which the appellation of origin is protected in the country of origin”. In addition, under Rule 5(3)(v), the international application may contain a copy in the original language of these provisions, decisions or registration. It is worth noting in this context that the Working Group, at its third session, recommended the Assembly of the Lisbon Union to adopt an amendment to Rule 5(3) whereby a new subparagraph would be added to it to the effect that the international application may also contain “any further information the competent authority of the country of origin wishes to provide concerning the protection granted to the appellation of origin in that country, such as additional particulars of the area of production of the product and a description of the connection between the quality or characteristics of the product and its geographical environment”. LI/WG/DEV/3/3, paragraph 13, and Annex, page 4

²⁷ The same goes for the issue of entitlement, i.e. who has the right to use the appellation of origin.

provisions of the Lisbon system only come into play once the appellation of origin has been granted protection in the country of origin and the competent authority has presented an international application to the International Bureau, requesting the international registration of the appellation. Concerning the decision whether or not the appellation of origin should be granted protection in its country of origin, the interested party or parties may have recourse to the administrative and judicial remedies open to them under the legislation of the country of origin²⁸. In that respect, contracting countries may have to comply with the requirements laid down by Articles 41.2, 41.3 and 62 of the TRIPS Agreement to the extent that the protection of the appellation is subject to that right being granted or registered²⁹. However, where protection is based on legislative or administrative provisions, those TRIPS Agreement requirements may not be regarded as applicable. What seems most important is that, pursuant to Article 62.5 of the TRIPS Agreement, where the protection of appellations of origin is based on registration or any other administrative decision, the final administrative decision has to be subject to review by a judicial or quasi-judicial authority. For instance, in Hungary, the Hungarian Intellectual Property Office is responsible for registering (i.e. granting protection to) geographical indications (including appellations of origin) at the national level. Its decisions in those matters are reviewed, at the request of the interested party, by the Metropolitan Court of Budapest, whose decisions can also be appealed³⁰.

13. In this context, the question may arise whether the competent authority of the country of origin has a duty to initiate the international registration of an appellation of origin already protected in that country if the natural persons or legal entities having the right to use the appellation have requested that. As under the current provisions of the Lisbon system it is only the competent authority of the country of origin that can request the international registration and present an application for that purpose to the International Bureau, it may lead to a loss of right on the part of the holders of the right to use the appellation of origin if the competent authority does not comply with their request and refuses to present an international application in their name. If, under the legislation of the country concerned, the competent authority has no discretionary powers whatsoever and cannot refuse to request the international registration of an appellation already protected in that country³¹, no particular

²⁸ It is also a matter for the legislation of the country of origin to determine whether and on what grounds applications for national protection of appellations of origin can be opposed by third parties such as holders of earlier trademark rights or geographical indications.

²⁹ Supposing, of course, that this kind of protection and the rights conferred do indeed fall within the scope of application of the TRIPS Agreement pursuant to its Articles 1 through 5, and that contracting countries do not wish to discriminate against their own nationals.

³⁰ See Articles 46/A(2), 77-93, 112(6) and 115 of Act XI of 1997 on the protection of trade marks and geographical indications

³¹ This is the case e.g. under Hungarian law. Under Article 116/F(2) of Act XI of 1997 on the protection of trade marks and geographical indications “[w]here the application does not comply with the [applicable] requirements

problem may arise, as the interested parties (apart from extreme cases of administrative malpractice) can always have their “right” to seek international registration enforced. On the other hand, should the competent authority be empowered to exercise discretion and refuse to present an international application, Articles 41.2, 41.3 and 62 of the TRIPS Agreement might come into play, and the procedures within the country of origin concerning the presentation of an international application to the International Bureau might have to comply with the requirements following from those provisions, as there can be no doubt that what takes place before the International Bureau under the Lisbon Agreement is a registration procedure, and the request from the competent authority of the country of origin is a prerequisite of initiating that procedure in the absence of which a loss of right occurs on the part of the interested parties³².

14. The Working Group has already addressed the concerns that may arise in that regard³³. As a result, one of the Draft Provisions discussed at its third session includes an option that would allow an international application to be presented directly to the International Bureau by the “beneficiaries” of the geographical indication or appellation of origin, or by a federation representing them. However, even under that option, the existence as well as the particulars of national protection in the country of origin would have to be certified by the competent authority of that country³⁴.

15. No inter-state conflict seems likely to arise prior to the international registration of an appellation of origin. However, disputes might occur between the competent authority and the International Bureau as to whether the international application is regular or not. Failure to correct the irregularity found by the International Bureau may eventually lead to the rejection of the international application³⁵. There is no remedy against such a decision of the International Bureau. The same goes for the case where the international

[...], the Hungarian Intellectual Property Office shall invite the applicant to rectify the irregularities. Failing to comply with the said invitation, the application shall be forwarded to the International Bureau as filed by the applicant.” However, it is to be noted that, under Article 116/E(3) of the same Act, if the international application is filed before the national registration of the appellation of origin, the date of that registration of the appellation of origin has to be considered the date of filing an international application with the International Bureau through the Hungarian Intellectual Property Office as the competent authority of the country of origin.

³² See footnote 29.

³³ LI/WG/DEV/3/2, Annex II, paragraph 17

³⁴ Draft Provision B, Option 2 reads as follows: “(3) (a) Such an international application shall be presented to the International Bureau by the entity, notified as the competent authority for this purpose under the procedures of the Agreement by the Contracting Party concerned or, in the case of paragraph 5 of [Draft Provision A], the Contracting Parties concerned. (b) Alternatively, the international application may be presented directly to the International Bureau by the holder or holders of the right to use the geographical indication or appellation of origin in question, or a federation or association having legal standing to assert such rights, provided that the application is accompanied by a document signed by the competent authority referred to in sub-paragraph 3(a) certifying that the particulars specified in the international application correspond to the particulars in the legislative or administrative act, judicial decision or registration referred to in paragraph 2 above.”

LI/WG/DEV/3/2, Annex II, page 7

³⁵ See Rule 6(1) of the Lisbon Regulations

application is not considered as such³⁶. However, neither of these decisions prevent the competent authority from presenting later on a regular international application to the International Bureau concerning the same appellation of origin. It is also presumed that, in correcting any irregularity of the international application, the competent authority and the International Bureau cooperate with each other constructively and in good faith.

IV. SETTLEMENT OF DISPUTES ARISING AFTER THE NOTIFICATION OF THE INTERNATIONAL REGISTRATION OF AN APPELLATION OF ORIGIN

16. The competent authorities of the contracting countries that have received notice of the registration of an appellation of origin have the right to refuse to protect it in their territory, in part or in whole. Such a refusal of protection has to be the subject of a declaration to that effect, which has to meet two requirements. The first is a time requirement: the refusal has to be notified to the International Bureau within a period of one year from the date of receipt by that contracting country of the notice of registration. The second is a requirement regarding content: the declaration of refusal has to specify the grounds for refusal³⁷. Article 5(3) of the Lisbon Agreement and Rule 9(2)(ii) of the Lisbon regulations require an indication of the grounds for a declaration of refusal if the competent authority of the contracting country declares that it cannot ensure the protection of an appellation of origin whose international registration has been notified to it, but neither the Agreement, nor the Regulations specify the grounds on which a declaration of refusal can be based. In principle, refusal can be based on any situation of fact or law. However, grounds for refusal cannot be entirely “fancy”, they have to be somehow related to a *de facto* or *de jure* situation that would prevent the grant of protection³⁸. For instance, a contracting country may refuse to protect an appellation of origin because it considers that the appellation has already acquired a generic character in its territory in relation to the product to which it refers or because it considers that the geographical designation does not conform to the definition of an appellation of origin in the Lisbon Agreement. It also happens in practice, and it seems broadly accepted, that an internationally registered appellation of origin is, and can be, denied protection

³⁶ See Rule 6(2) of the Lisbon Regulations

³⁷ LI/WG/DEV/1/2 Rev. Annex II, paragraphs 16 and 18

³⁸ “Specific grounds on the basis of which protection could be refused that have been mentioned in contributions include: (i) absolute grounds of refusal, such as ‘the denomination/indication does not meet the definition’, the denomination/indication is ‘generic’ or the denomination/indication lacks distinctiveness; (ii) relative grounds for refusal, such as ‘the denomination/indication conflicts with a trademark or other prior right’; (iii) other grounds for refusal, such as ‘the denomination/indication has a deceptive character’ or ‘the denomination/indication breaches public order’.” LI/WG/DEV/2/2, Annex, paragraph 71. See also Christophe Geiger, Daniel Gervais, Norbert Olszak, Vincent Ruzek: CEIPI Answer to the Survey of the WIPO on the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration, Strasbourg, February 2010, page 11, at http://www.wipo.int/export/sites/www/lisbon/en/submissions/pdf/ceipi_e.pdf

in a contracting country to the Lisbon Agreement because existing prior rights would conflict with that appellation. This seems to be the only way³⁹ contracting countries to the Lisbon Agreement can apply the mandatory exceptions provided for in Articles 24.5 and 24.8 of the TRIPS Agreement concerning prior good faith trademark rights, and the right to use, in the course of trade and without misleading the public, a person's name⁴⁰. They cannot, for that purpose, invoke Article 5(6) of the Lisbon Agreement as it would only provide for a phasing-out period of two years, at most, for interested parties to terminate the use of prior trademarks and/or names conflicting with a protected appellation.

17. Therefore, there can be a number of interested parties holding earlier rights or having other legitimate interests for whom it could be quite material to ensure that their competent authority does indeed notify a declaration of refusal to the International Bureau. In view of this, Draft Provision G(3) would provide that:

“Interested parties shall be afforded a reasonable opportunity to file petitions for the competent authority to issue a refusal [...].”

18. The wording of this Draft Provision closely resembles that of Article 15.5 of the TRIPS Agreement. Such a provision would appear justified as, in the absence of a declaration of refusal based on their rights or legitimate interests, the only option left to holders of earlier rights and other interested parties is to seek invalidation of the effects of an international registration in the contracting

³⁹ But *cf.* Article 4 of the Lisbon Agreement.

⁴⁰ “[T]he relationship between geographical indications/appellations of origin and prior rights should be defined in greater detail (for example, as to the date of priority of each right, the order of precedence, the validity of rights or for the evaluation of whether an application was filed in good faith). One of the academic institutions that contributed to the survey has indicated that the question whether precise substantive rules should be introduced as to the conditions for determining whether an appellation of origin/geographical indication registered under the Agreement can be refused or invalidated, requires a nuanced response. Although it might be useful to list such grounds, it is equally important to ensure flexibility in their implementation, so as to allow the different national legal systems and practices and cultures to find their place within the Lisbon system. It is well known that the problem of the grounds for the refusal of protection and invalidation are the subject of huge differences on the global scene. As such, a consensus on the matter may appear illusory, specifically on the question of the definition of the generic character of a denomination or indication and perhaps even more on that of the relationship between appellations of origin/geographical indications and prior rights. On the latter issue, certain national systems deny protection of a denomination or indication if it interferes with third parties' prior trademark rights in the country where protection for it is sought, while other domestic systems do not necessarily deny protection of an appellation of origin/geographical indication in such situations. In this connection, the contribution specifically refers to the domestic law of the European Union, under which registration is refused if this would conflict with prior rights to a famous trademark, but under which, in respect of prior trademarks that do not have a particular reputation, a conditional coexistence mechanism has been created. The contribution, therefore, suggests a balanced approach that could consist of laying down a general exhaustive list of the criteria on which invalidation or refusal of protection could be based and encouraging Member States to implement administrative and judicial procedures capable of guaranteeing that account is taken of the different interests at stake (notably the legitimate interests of holders of prior rights), while still leaving Member States a certain flexibility in the implementation of the criteria in question, within the spirit of the relevant provisions of the TRIPS Agreement.” LI/WG/DEV/2/2, Annex, paragraph 69

country concerned. A similar provision exists under Hungarian law. While the Hungarian competent authority does carry out a substantive examination with respect to the international registration (including whether it conflicts with earlier geographical indications and certain earlier trademarks⁴¹), there is still a possibility for any person to file an observation with that authority to the effect that the appellation of origin constituting the subject matter of the application or the application itself does not comply with one or more of the applicable requirements⁴². The EU's legislation on geographical indications also establishes procedures for objecting to the EU-wide registration of a given indication at both, national and European, levels⁴³. At the national level, any natural or legal person having a legitimate interest and established or resident in the Member State concerned may lodge an objection to the application. At the European level, any Member State or third country, and any natural or legal person having a legitimate interest, established or resident in a Member State other than that applying for the registration or in a third country may object to the proposed registration.

19. No inter-state conflict seems likely to arise directly prior to the notification of a declaration of refusal. However, cases may occur where consultations are launched between the countries concerned as to whether and how a declaration of refusal should be issued concerning a given international registration of an appellation of origin. In fact, consultations of this kind were among the factors triggering a review of the Lisbon system and the setting up of the Working Group⁴⁴. Under the provisions of Rule 10 of the Lisbon Regulations concerning irregular declarations of refusal, it is highly unlikely that, in that regard, any dispute might occur between the competent authority and the International Bureau that would require some sort of "settlement".

V. SETTLEMENT OF DISPUTES CONCERNING DECLARATIONS OF REFUSAL

20. Most of the calls for exploring the possibility of introducing mechanisms for settling disputes within the Lisbon system seem to relate directly to disputes over declarations of refusals. In that context, there are basically two sorts of dispute settlement mechanisms: one of them is expressly provided for in the Lisbon Agreement itself and is open to the "interested party", while the other

⁴¹ Article 106(1)(c) of Act XI of 1997 on the protection of trade marks and geographical indications provides that "[a] geographical indication shall be excluded from protection [...] if it is identical with or similar to an earlier trade mark and its use – due to the reputation, renown or lasting presence on the market of the trade mark – would result in a likelihood of confusion on the part of public".

⁴² See Articles 116/K(1)-(2) of Act XI of 1997 on the protection of trade marks and geographical indications

⁴³ See Articles 5(5) and 7 of Council Regulation (EC) No 510/2006 of 20 March 2006 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs (OJ L 93, 31.3.2006, p. 12).

⁴⁴ LI/A/23/1, in particular paragraphs 3 and 4, and LI/A/23/2

one is not explicitly provided for by the Agreement itself but it is still inherent in the system established by the Agreement and is mainly open to the contracting countries.

21. Under Article 5(5) of the Lisbon Agreement

“[t]he interested party, when informed by his national Authority of the declaration [of refusal] made by another country, may resort, in that country, to all the judicial and administrative remedies open to the nationals of that country”

22. What that Article provides for is a “normal” remedy for private applicants/right holders similar to those that are available when a patent or trademark application is refused by an IP office⁴⁵. The requirements following from Articles 41.2, 41.3 and 62 of the TRIPS Agreement⁴⁶ seem applicable to those remedies at least in those cases where the refusal is based on an individual administrative or court decision. However, in the Lisbon system, the ground on which the refusal is based can directly be a piece of legislation or an administrative decree of normative character. It is not entirely clear how refusals based on such grounds can be challenged by the interested (private) party within the legal system of the country concerned.

23. Even with respect to the “normal” remedies open to private parties, a number of concerns were raised in the course of the survey on the Lisbon system. There was a suggestion that Article 5(5) of the Lisbon Agreement should be amended to introduce a minimum time-limit for the interested parties to resort to judicial remedies, as the time-limits under certain laws are so short that recourse to the remedies is virtually impossible⁴⁷ (which might be regarded as not being fully compliant with Articles 41.2, 41.3 and 62 of the TRIPS Agreement). Another contribution highlighted the fact that the consideration of a possible withdrawal of a refusal based on objections or oppositions from holders of earlier rights or other parties having a legitimate interest in denying the appellation of origin protection in the country concerned may directly affect the rights and interests of these parties. Therefore, their involvement in the procedures that might lead to a withdrawal of a declaration of refusal may certainly be called for:

“in respect of refusal notices that had been based on a domestic objection/opposition procedure, Member States should establish appropriate domestic procedures to ensure that third parties who had

⁴⁵ *c.f. e.g.* Article 5(3) of the Madrid Agreement Concerning the International Registration of Marks

⁴⁶ See paragraph 13 of this paper.

⁴⁷ LI/WG/DEV/2/2, Annex, paragraph 74

participated in the objection/opposition procedure be given advance notice if the country in question intends to withdraw the refusal: the withdrawal should only be effected if it has been established through a final and binding decision that protection has been granted.”⁴⁸

24. However, these concerns are not directly dealt with in the Draft Provisions, which may be partly due to the fact that the Working Party, at its second session, concluded that, concerning declarations of refusals and the subsequent procedures, no amendment of the current legal framework was necessary⁴⁹. Nevertheless, Draft Provision G(5) seems to fulfill the wishes of those advocating arbitration or mediation. That provision would provide that interested parties would have to be afforded a reasonable opportunity to negotiate the withdrawal of a refusal⁵⁰. The comment of the International Bureau on that draft provision is that

“the Working Group might wish to address the question as to whether the provision should also specify that interested parties would, alternatively, have the opportunity to resort to arbitration or mediation.”⁵¹

25. Although it is not crystal clear what “negotiations” between the interested parties on the withdrawal of a refusal can exactly mean in this context and how this concept is related to the idea of arbitration or mediation, it can be assumed that the main purpose of the Draft Provision in question would be to provide for alternative dispute resolution between interested (private) parties concerning a declaration of refusal and its eventual withdrawal. Such debates are most likely to arise where the refusal was based on objections or oppositions from holders of earlier rights or other interested parties. There seems to be nothing in either the current legal framework, or in the Draft Provisions that would prevent the parties to such a debate from referring their case to the WIPO Arbitration and Mediation Center for mediation, arbitration, expedited arbitration, or expert determination⁵². To what extent the competent authority is required to take into account the results of alternative dispute resolution is primarily a matter for national legislation.

⁴⁸ LI/WG/DEV/2/2, Annex, paragraph 77

⁴⁹ LI/WG/DEV/2/4, paragraph 29

⁵⁰ LI/WG/DEV/3/2, Annex II, page 24

⁵¹ LI/WG/DEV/3/2, Annex II, paragraph 39

⁵² See paragraph 8 and footnote 17 of this paper

26. Concerning the resolution of disputes between contracting countries over a declaration of refusal, the Acts of the Diplomatic Conference provide some guidance⁵³:

“A refusal must be accompanied by the grounds on which the country decides not to grant protection. These grounds constitute a possible basis for discussion for the purpose of reaching an understanding.”

27. This passage from the Acts of the Lisbon Conference shows that the “Founding Fathers” of the Lisbon system have envisaged some sort of dispute settlement (in their words: discussion for the purpose of reaching an understanding) to take place between the contracting countries concerned following a notification of refusal. According to this approach, a notification of refusal is not necessarily the end of the registration procedure but may rather serve as a starting point for another stage in that procedure. That stage may result in the withdrawal of the declaration of refusal or in a statement of grant of protection following a refusal under Rules 11 and 11^{bis}(2), respectively, of the Lisbon Regulations. The doctrine of exhaustion of local remedies by private parties⁵⁴ does not seem to apply to discussions between contracting countries for the purpose of reaching an understanding on a refusal or its withdrawal. These inter-state discussions can be launched irrespective of whether the interested party has already exhausted all the judicial and administrative remedies in the country that issued a declaration of refusal, or whether he has at all resorted to these remedies. Still, it goes without saying that these different processes can easily be interlinked and can mutually affect each other. Furthermore, it is not inconceivable that a refusal under the Lisbon Agreement may eventually lead to dispute settlement between the countries concerned under the WTO DSU if such a refusal is also challenged on the ground that it amounts to a failure to comply with obligations under the TRIPS Agreement, and that the settlement of the dispute in the WTO may eventually lead to the withdrawal of the declaration of refusal or to a statement of grant of protection following a refusal under the relevant provisions of the Lisbon system.

28. It is worth noting that the draft treaty on the protection of geographical indications, prepared by the International Bureau of WIPO in 1974-75, contained a provision [Article 17(5) of the draft treaty] on the settlement of disputes through diplomatic channels:

⁵³ See LI/WG/DEV/1/2 Rev., Annex II, paragraph 18, footnote 9, Acts of the Lisbon Conference, p. 817. See also Daniel J Gervais: Reinventing Lisbon: The Case for a Protocol to the Lisbon Agreement (Geographical Indications), *Chicago Journal of International Law*, Vol. 11 No. 1, Summer 2010, pages 95-96

⁵⁴ David Palmetier, Petros C. Mavroidis: *Dispute Settlement in the World Trade Organization*, The Hague, London, Boston, 1999, page 30

“The Contracting States shall endeavor to settle through diplomatic channels all cases of violation of this Treaty brought to their notice.”⁵⁵

29. In addition, in the late 1990s various efforts were made in the WTO’s Council for TRIPS to establish a multilateral register of geographical indications for wines and spirits under Article 23.4 of the TRIPS Agreement. Proposals from both the European Communities and their Member States⁵⁶, and Hungary⁵⁷ extended to the establishment of opposition/challenge procedures. Hungary suggested the establishment of a special arbitration system in which final and binding decisions would have been taken with *erga omnes* effects⁵⁸. However, since then no agreement has been reached in the WTO on the establishment of a multilateral register under Article 23.4 of the TRIPS Agreement, although, as part of the Doha Round, a compromise proposal was submitted in 2008 with the support of more than 100 WTO Members⁵⁹.

30. No particular debate is likely to arise between the International Bureau and the contracting countries (or their competent authorities) over a withdrawal of a declaration of refusal or a statement of grant of protection following a refusal.

VI. SETTLEMENT OF DISPUTES CONCERNING INVALIDATIONS

31. Rule 16(1) of the Lisbon Regulations provides for the invalidation of the effects of an international registration:

“Where the effects of an international registration are invalidated in a contracting country and the invalidation is no longer subject to appeal, the invalidation shall be notified to the International Bureau by the competent authority of that contracting country.”

⁵⁵ TAO/II/2, page 47

⁵⁶ IP/C/W/107, 28 July 1998

⁵⁷ IP/C/W/234, 11 December 2000

⁵⁸ Admittedly, such *erga omnes* effects could only be conceived where the decision relates to compliance with the definition of the geographical indication or to its misleading nature. This is how the Hungarian proposal was refined later on: “Geographical indications successfully challenged on the basis of Article 22.1 or Article 22.4 of the Agreement on TRIPS shall not be registered. Geographical indications successfully challenged on the basis of Article 24.4, Article 24.5 or Article 24.6 of the Agreement on TRIPS shall be registered and the registration shall refer to the successful challenge. Participating Members shall not refuse protection for registered geographical indications. A successful challenge made on the basis of Article 24.4, Article 24.5 or Article 24.6 of the Agreement on TRIPS shall justify the refusal of protection only in respect of the Member or Members which successfully challenged registration.” IP/C/W/255, 3 May 2001, Annex, proposal for Part D, paragraphs 3-5

⁵⁹ TN/C/W/52, 19 July 2008. This proposal envisages no opposition/challenge procedure whatsoever. For the current developments, see http://www.wto.org/english/news_e/news11_e/trip_ss_03mar11_e.htm.

32. This provision, which was introduced in 2002, seems to apply to invalidation through administrative or judicial decisions. This is what can be deduced from the condition that the invalidation be no longer subject to appeal. Furthermore, as notification of invalidation as well as its entry in the International Register and its communication to the competent authority of the country of origin are to be based on a final administrative or judicial decision, there seems to be room for neither a provision similar to that in the second sentence of Article 5(5) of the Lisbon Agreement, nor informal discussions between the contracting countries concerned about the invalidation. Withdrawal of a notification of invalidation is not foreseen, either.

33. It is worth noting in this context that the Working Group, at its third session, recommended the Assembly of the Lisbon Union to adopt an amendment to Rule 16(1) whereby a new sub-paragraph (v) would be added to it to the effect that the notification of invalidation also has to contain the grounds on the basis of which the invalidation was pronounced⁶⁰. Indication of the grounds for invalidation in those notifications may serve a number of useful purposes. However, within the current legal framework, the grounds indicated in notifications of invalidation are not likely to constitute a possible basis for discussion for the purpose of reaching an understanding between the countries concerned in the same manner as with respect to grounds for refusal.

34. That makes a contracting country's internal procedural framework for invalidations even more important, in particular for interested (private) parties. In view of their administrative and/or judicial nature, these procedures seem to fall under, and have to comply with, Articles 41.2, 41.3 and 62 of the TRIPS Agreement. In that regard, a number of concerns were also raised in the course of the survey on the Lisbon system. There was a suggestion

“that the Agreement should be amended so as to require Member States to establish appropriate rules and procedures in their domestic law allowing for invalidation of the effects of an international registration in their territory, in particular, when such effects would conflict with prior rights or the requirements for protection are not fulfilled”⁶¹.

35. However, it was noted at the second session of the Working Group that

“most delegations did not believe that the rules and procedures allowing for invalidation of the effects of an international registration at the national level had to be dealt with in the Agreement itself and took the

⁶⁰ LI/WG/DEV/3/3, paragraph 13, and Annex, page 4

⁶¹ LI/WG/DEV/2/2, Annex, paragraph 98

view that the rules and procedures in question had to be dealt with at the domestic level.”⁶²

36. The Draft Provisions do not address this issue.

37. No particular debate is likely to arise between the International Bureau and the contracting countries (or their competent authorities) over a notification of invalidation.

VII. SETTLEMENT OF ENFORCEMENT DISPUTES

38. Contracting countries of the Lisbon Agreement are under the obligation to ensure protection against any usurpation or imitation of the appellation of origin⁶³. It seems that, just like under the provisions of the TRIPS Agreement⁶⁴, this may take the form of either civil judicial procedures initiated by right holders, or enforcement by administrative action (be it upon request or *ex officio*). Article 8 of the Lisbon Agreement provides that

“Legal action required for ensuring the protection of appellations of origin may be taken in each of the countries of the Special Union under the provisions of the national legislation:

1. at the instance of the competent Authority or at the request of the public Prosecutor;
2. by any interested party, whether a natural person or a legal entity, whether public or private.”

39. These procedures are regulated by the national legislation of the contracting country (in accordance with its international obligations such as those flowing from the TRIPS Agreement). Under this provision of the Lisbon Agreement, disputes occur between those committing usurpation or imitation and either the authority taking administrative action, or the interested party. These disputes might take on an inter-state dimension, too (*e.g.* where the interested party is unable to ensure protection for the appellation of origin due to deficiencies in the national law or administrative/judicial practice, or where the competent authority fails to take the necessary administrative action against usurpation or imitation). The draft treaty of 1975 did foresee settlement of disputes through diplomatic channels in this regard, too⁶⁵.

⁶² LI/WG/DEV/2/4, paragraph 35

⁶³ See Article 3 of the Lisbon Agreement

⁶⁴ *c.f. e.g.* Articles 22.2, 23.1 and 42 of the TRIPS Agreement and the footnote to its Article 23.1

⁶⁵ See paragraph 28 of this paper.

40. The survey on the Lisbon system did not extend to enforcement-related issues. The Draft Provisions do not deal with them, either.

41. As the International Bureau has no role to play in the implementation of Article 8 of the Lisbon Agreement, no dispute can arise between the Bureau and any contracting country in that regard.

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