

4. Geographical Indications

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Introduction

The debate at the TRIPS Council on whether or not the kind of protection provided to Geographical Indications, commonly referred to as GIs, used on wines and spirits should be extended to Geographical Indications (GIs) used on other products has found itself bogged down in cyclical repetition of well established positions.

Submissions have been made thus far by a little over thirty countries. The United States, Canada, Australia, New Zealand, South Africa, and Argentina are among those that appear at this stage to oppose the extension of protection. They suggest that the protection granted by Article 22 provides sufficient protection and should be tried more extensively before considering the use of Article 23 level of protection. They suggest that such extension will be burdensome and costly and bring little additional benefit to users of GI's, new users in particular.

The European Union, Switzerland, Hungary, Sri Lanka, Bulgaria, India, Kenya, Jamaica, Egypt, Cuba, Dominican Republic, Honduras, Indonesia, Nicaragua, Pakistan, Turkey, Venezuela, the Czech Republic, Iceland, Liechtenstein, Slovenia and the African Group among others appear to favour the extension. They argue that it is an anomaly to have two levels of protection, that the level granted by Article 23 significantly facilitates the enforcement of rights permitting as well multilateral action against false indications of origin, and that the potential economic value to many economies outweighs the costs of forgoing the use of free-riding on the GIs of other countries.

Other countries joining the debate may help to break the deadlock. The following comments try to look at the issues from a perspective closer to the level of the producers who will use GIs in the course of international trade than those currently being expressed at the TRIPS Council. Hopefully this will encourage such broader participation or stimulate new thinking by those already participating.

The Importance of Geographical Indications

Two almost contradictory features of expanding international trade contribute to the importance attached to GIs. The chain of production for processed goods now often extends to more than one country, and increased competition, in the production of specialty goods in particular, has heightened the value of product differentiation as a marketing strategy.

Dispersing the location of production has generally resulted in lowering

the overall cost of goods making them more competitive. This, however, disassociates the relationship between a particular place and any quality of the good that may originally have come from that place of origin.

Many producers of specialty products that have followed this cost-reduction production strategy found it valuable, however, to maintain the association between the good and the original place of origin. Often they have done this through the registration of the place name or other place identifier as a trademark or incorporating it within a trademark. This encourages consumers to associate the quality or characteristics of the good with the mark rather than the place of origin itself.

The producers of some specialty goods, however, also recognizing the competitive value of maintaining the close association between the good and its actual place of production, have developed and used various methods to prevent the dilution of this value. These methods have evolved into what are now known as the various protection systems for Geographical Indications.

GIs were considered so valuable to some producers of wines and spirits that, in the Uruguay Round of negotiations leading to the establishment of the World Trade Organisation, they were apparently willing to surrender concessions in other areas of the single-undertaking negotiations in order to obtain stronger multilateral protection for wines and spirits than was negotiated for any other goods.

With reductions being negotiated in the use of tariffs, quotas, preferences and other measures as tools to address imbalances in competitiveness, other producers, commodity producers in particular, are turning their attention to ways of differentiating their goods and creating niche markets.

Where there are qualities, characteristics or a reputation for the goods of these producers that are associated with their place of origin, there exists the possibility of emphasizing this difference between their goods and similar goods produced elsewhere. These producers have therefore more latterly come to consider the value and importance of having strong protection for Geographical Indications used on goods other than wines and spirits.

The Haves and the Not Yet Haves

In the light of the above comments on the growing importance of Geographical Indications, the debate on the extension of stronger protection in the TRIPS Council can be divided into two main interest groups.

There are those countries with a significant number of producers who have traditionally relied on the association that consumers of their goods make between their goods and the place that the goods are produced. Well-known examples of these types of goods are wines, spirits and cheeses. These countries have developed systems of strong legal protection for the use of this association

as a marketing tool by their producers. They are the main proponents of the extension of increased protection for GIs.

Aligned with these countries are those countries that have traditionally produced goods that consumers associate, or would be inclined to associate, with their place of production but who have not used or provided legal protection for the use of this association in the marketing of their goods. The production systems of these countries are generally facing greater threats from increased competition as they emerge from behind traditional trade barriers.

Also in this alignment are those countries that would like to retain the future option for their producers to develop goods that consumers would associate with a particular place of production.

At the other extreme there are those countries that have a significant number of producers that rely on the associations that consumers make between their goods and their production systems irrespective of where these production systems or their elements are located. These countries have generally relied on the strong legal protection for the association between the good and its producers, like trademark laws, to develop and protect their competitive marketing strategies. They are the main opponents of providing increased protection to GIs used on other goods.

Aligned with this group are those wine and spirit producing countries that have used traditional GIs of other countries on their wines and spirits for many years to describe the type of product rather than the place of origin normally associated with the GI. Both of these groups see many of the terms claimed as GIs as having become generic terms.

Also aligned with this group are those countries that would like to retain the future option for their producers to compete in the production of goods that are already well known.

Inevitably, of course, there are also those countries who consider the issue to be of little significance in the foreseeable future or who have not yet determined the advantages or disadvantages of the extension of scope of additional protection for the GIs of other products.

Within each group, therefore, there are those that have a significant current competitive advantage to protect (the haves, mostly developed countries) and those countries that might be considered as seeking to protect future competitive advantage (the not yet haves, mostly developing countries).

The Issues Being Raised

What's good for the goose must be good for the gander

The strongest argument that the proponents of the extension of protection appear to have is that the stronger protection provided for the use of GIs on wines and spirits is inequitable and puts producers who use GIs on other

products at a trade disadvantage. They point particularly to the difference in the burden of proof between the two levels of protection.

Article 22.2 of the TRIPS Agreement provides two main shields for the users of GIs on any goods. The first is generally referred to as “the misleading test”. This allows the legitimate user of a GI to use the legal means available to prevent consumers from being misled into buying a good using the GI but not made in the place they would normally associate with the good through its GI.

The second shield provided to the users of GIs is the legal means to prevent any use that constitutes an act of unfair competition within the meaning of Article 10*bis* of the Paris Convention (1967). Amongst other things, this prohibits in particular acts that create confusion with the goods of a competitor.

These shields are, however, considerably weakened where the GI is used along with a clear declaration of the actual place of production of the good or with some other declaration that will break the association the consumer would normally make between the GI and the place of origin of the good it is used on. Examples of the latter are expressions such as “kind”, “type”, “style”, and “imitation”. In other words the consumer is neither misled nor confused.

They point out that the misleading test alone, therefore, leaves sufficient room for the inevitable dilution of the unique association between the GI used on a good and its place of origin.

The additional protection given to GIs used on wines and spirits by Article 23 begins by nullifying the need to show that consumers are misled or confused. It simply prohibits the use of a GI used on wines or spirits from being used on any wine or spirit not actually originating in the place normally associated with the GI. The burden of proof therefore appears to shift to the user of the GI to show that the good is actually produced in the place normally associated with the GI.

For users of GIs in many developing countries, who may ill afford the cost of surveys to produce the evidence that consumers are being misled or confused, this additional protection appears to provide a significant advantage. If the advantage continues to be restricted to use by those countries that produce wines and spirits then this represents an imbalance that will unfairly distort trade between wine-producing countries and others.

The supporters of extension, therefore suggest that if the additional protection of GIs is thought necessary for the producers of wines and spirits then it must also be necessary for producers of other products.

What you see isn't always what you get

Those opposing extension, on the other hand, suggest that the existing obligation under Article 22 provides sufficient protection for legitimate GIs

and some suggest further that trademark law provides effective protection while at the same time avoiding many of the practical difficulties.

The opponents express great concern that the expectations of developing country proponents are not going to be realized. They point to their own experiences with existing systems offered by some countries that provide the scope and levels of protection being sought. They suggest that significant unexpected obstacles to the protection for their own GIs exist in these other countries. In their view, many of the GIs on which developing countries are pinning their hopes for improved competitiveness will not be accepted as qualifying for protection in the major markets into which competitive access is being sought.

One obstacle appears to be establishing a sufficient link between the geographic place and the characteristic, quality or reputation of the good. If the good can be produced elsewhere and maintain the same characteristic, quality or reputation then the link may not be considered sufficient. If the geographic place cannot be sufficiently well defined then again the link may not be sufficient. In other words, the characteristic, quality or reputation is not “essentially attributable” to that place.

Opponents have indicated the difficulty they have encountered, for example, in having a country name accepted as a GI. The argument against its acceptance is founded on either of the two difficulties mentioned, that is, if it can be produced anywhere in the country then its characteristic, quality or reputation is not likely to be essentially attributable to a geographic place.

Interestingly enough, this difficulty is one of the reasons that GIs are difficult to establish for services as opposed to goods. If people can be trained to perform the service then the characteristic, quality or reputation, it can be argued, is not likely to be attributable to a particular place. The question of linkage might also held up as an argument against the acceptance of a single GI being owned and used by, for example, more than one territory or country except as a homonymous indication allowed as an exception.

The issue arises also where immigrants from a particular region that uses a GI are producing the good in the manner of their tradition in their new locality. If they use the GI as their term for the good they produce, then it may be tacit recognition that the association between the quality, characteristic or reputation of the good is not with a place but a people.

These arguments however, would apply to GI protection generally and so should not affect the debate concerning the level of protection for GIs that is acceptable. Developing countries should nevertheless test the acceptance by other countries of the GIs that they expect to receive protection for to ensure that what they will actually get is what they expect to get.

To negotiate or not to negotiate

The strongest argument that the opponents of extending protection appear to have is that there is not currently a mandate to change the existing negotiated agreement. They make it clear that they were unhappy with the level of protection given to GIs for wines and spirits. It has even been suggested that an appropriate solution might be to consider removing this extra protection from wines and spirits and so address the imbalance.

It seems generally agreed that the additional protection was a negotiated settlement as part of the single-undertaking. Opponents of extension argue that any adjustment in the existing balance would have to be negotiated in the same way. They point out that the built-in agenda avoided allowing a limited negotiation on the issue of extension and that even after the last Ministerial Conference in Doha there is no clear mandate for such negotiations.

The directions given to the TRIPS Council through the Doha Declaration are for the TRIPS Council to discuss the issue of extension and report on these discussions to the Trade Negotiations Committee (TNC) by the end of 2002. It would then presumably be for the TNC to decide whether an extension should be negotiated or not and then ask the TRIPS Council to determine under what conditions.

Opponents appear by this to be taking the position that any extension would again have to be part of the larger negotiations.

In for a penny, in for a pound

Opponents of extension also point to an increased burden that the extension of stronger protection would bring. They draw attention to the large number of GIs that some countries would want protected compared to the few of others and suggest that this represents an unfair additional implementation cost for Developing Countries in particular.

The proponents of extension, however, have the argument that the incremental cost of providing for extension is not significant compared to the cost already required for protecting GIs under their existing obligation. They note that the obligation is to provide a legal means for the owners of GIs to protect their GIs can be implemented in different ways, some less costly than others and that each country would have the right to determine which is the appropriate implementation method to use according to its own circumstances.

It could also be suggested that the overall cost burden might be decreased through savings in the judicial system with the clearer determination of an infringement at the higher level of protection.

Proponents also note that other areas of Intellectual Property, like the patent system, also suffer from a significant disparity in the number of applications that come from Developed as opposed to Developing Countries.

They note that the concerns about implementation cost and disparity in applications were not given great weight when existing obligations were being negotiated.

Opponents suggest that there could be other costs. They suggest that terms that are currently used to guide consumers that may no longer be available will add costs to producers to develop other guides. The cost of these changes will of course be passed on to the consumer. They also suggest that in some cases production itself may be disrupted by the change.

Do the exceptions prove the rule?

Opponents of extension also down-play the effectiveness of the extra protection provided by Article 23 for wines and spirits. They point out that the exceptions provided in Article 24 would be applied to all products. Existing use of a GI would therefore be preserved, and existing trademarks that conflict with a GI would also be preserved.

Opponents note that GIs that have become generic in a particular country could also be denied protection in that country even when it is still recognized in its home country.

Proponents on the other hand argue that, where there has been free-riding by the inappropriate use of a GI, trade has effectively been distorted. Rules that remove this distortion of trade will, as has been seen in other areas of the trade agreement, have their costs, but these will be outweighed by the benefits of increased fair trade.

In the looking glass

And so finally what of the future? It is the nature of negotiations on trade liberalization that the next round follows on the heels of the current. If in these negotiations the level of protection provided for wines and spirits is extended to all goods, then what can be expected in the next round?

Opponents point to their current bilateral negotiations in which, for example, protection is being sought for traditional expressions associated with the production of goods protected by GIs. They suggest that these bilaterals not only indicate the interpretation of the present but also portend the future seen by the most active proponents of extension.

The future, they say, can already be seen in the looking glass.

Conclusions

The debate on the extension of the provisions of Article 23 of the TRIPS Agreement to other goods besides wines and spirits appears to revolve essentially around two issues; the costs of stopping the dilution of Geographical Indications as a competitive tool and the value to indigenous producers of the additional protection provided.

In connection with the first, the argument has consistently been made that the benefits to be derived from free trade outweigh the disruption costs of the transition to fair, undistorted trade. There appears to be no valid reason for this principle to not find application in the area of the protection of Geographical Indications.

In connection with the second, it is clear that the producers of wines and spirits who pushed for this protection saw its added value. In the long-run it will make it easier for consumers to identify the goods that they seek, and it will make the burden of enforcement easier on the legitimate owners of GIs. Proponents need, however, to be satisfied that extending this protection to goods of their interest will provide sufficient added value.

The major obstacles, then, to resolving this debate are to agree on a multilateral system for implementing the agreed definition of a GI in a harmonized manner, for determining which GIs are generic, for publishing the proposed GI in all Member States, for allowing opposition to the decision on a GI to be fully aired before protection is given effect, and for allowing GIs granted in error to be revoked.

If this sounds like a multilateral registration system, there may have been some wisdom in mandating the negotiation of such a system for wines and spirits, and WTO Member States should extend themselves further to apply this system to all products.