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Policy Notes

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Regulatory Systems for Geographical Indications

Introduction

Since the establishment of the World Trade Organization (WTO) in 1995 the European Union (EU) and the USA have fought over policy for Geographical Indications (GIs) in many forums. A major area of contention is whether GI provisions should be delivered through a *sui generis* (tailor made) registration system or through the trademarks system. In its negotiating texts for Australia and New Zealand the EU is demanding the adoption of a tailor-made GI registration system – one that mirrors the system developed to suit European countries. There is very little evidence of Australian demand for such a system. This Policy Note looks at key issues relevant to this proposal.[1]

Background

The 1994 Agreement on Trade Related Intellectual Property Rights (TRIPS) requires that provisions for GIs be made by all WTO members.[2] This simply means that labels indicating a geographical origin must not be misleading and must not constitute unfair competition. TRIPS is one of the suite of treaties concluding the Uruguay Round of trade negotiations and forming part of the 1994 Marrakesh Agreement. It is binding on all WTO members.

It was the EU that insisted on the inclusion of GIs. This was strongly opposed by the USA and other New World countries, but in the end a compromise was reached.

TRIPS Article 22 requires WTO members to ensure that product labels neither mislead consumers nor constitute unfair competition. Most members already provided for this.[3] Article 23 provides for a higher 'standard' of 'protection' for wines and spirits, but Article 24.4 ensures that Article 23 is not compulsory with respect to most existing wines and spirits. The 'higher standard of protection' prohibits labels using geographic name qualifiers such as -like, -style or -kind.

> In the intellectual property world 'protection' always means protection from competition.

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EU/US disagreements over GIs

At the heart of the EU-US disagreement over GIs is the fact that New World countries are home to many thousands of emigrants from Europe. These emigrants brought their food and wine traditions with them and started producing familiar foods and wines in their new homes. They built substantial domestic markets for European style products at a time when transport costs were considerably higher than at present. Some have since developed high-end businesses exporting quality products to demanding Asian markets. These emigrants often used names from home and these names (parmesan, brie, fetta, etc.) have effectively become generic product descriptors in the emigrants' new home countries. Now that transport costs have fallen, the EU is seeking to reclaim these names, arguing that their use constitutes unfair competition and/or misleads consumers. The New World view is that Europe is simply trying to claw back these generic names, for purely commercial gain, now that substantial markets have been established.

When the EU failed to achieve its full GI goals in TRIPS it commenced bilateral negotiations. Initially this focused on extending the Article 23 standard to wines and spirits globally. Although New World countries fundamentally disagree that a label such as "beaujolais-style wine from the Hunter Valley" is misleading, they chose to concede to EU demands in exchange for improved access to Europe's large wine and spirit markets.[4]

Since 2006 the EU's GI trade negotiating focus has been on 'protection' in partner countries for specific food and spirit names, and the standard of this protection. Effectively it is seeking to extend the Article 23 standard (or more) to foods. The EU wants adoption of a *sui generis* GI system rather than use of a trademark based system.

[1] For a fuller discussion, see my submission to the consultation (https://www.dfat.gov.au/sites/default/files/dr-hazel-v-j-moir-aeufta-gi-system-submission.pdf).
[2] See companion Policy Note 4/2020 "Intellectual property and trade treaties" for a discussion of other IP elements in trade treaties.
[3] Either through domestic consumer protection laws or through Article 10*bis* of the Paris Convention (1967).

[4] Since 1995 the EU has concluded at least 26 bi-lateral wine agreements, all requiring TRIPS Article 23 standards for specified wine and spirit names. There is no longer an EC web page listing the wine agreements. The figure of 26 such bi-lateral wine agreements is from late 2016, when a dedicated page existed.

The EU's FTA demand

Initial public attention focused on the EU's demand that Australia 'protect' 172 agricultural / foodstuff names and 235 spirit names. The Department of Foreign Affairs and Trade (DFAT) undertook a public objections procedure on this in late 2019, but as yet has not shared any information from this process with the Australian public. There is no publicly available information, as yet, on the objections lodged.[5]

In September 2020 DFAT announced a public consultation on the EU's demands as to the nature of the GI 'protection' it was demanding. This consultation was managed by IP Australia and a number of round tables were held. These focused on what a new *sui generis* GI registration system should consist of, were Australia to agree to introduce this. The consultation did not include the important prior issue of whether Australia needs an additional system besides the current Certification Trade Mark (CTM) system and the *sui generis* wine GI system. This core issue was covered in the ANUCES webinar held on 25 November 2020.[6] IP Australia has undertaken to publish a response to their consultation in 2021.[7]

The EU's draft text specifies that each country should have legislation meeting the EU's specific GI requirements (Annex [XX]-A, Section B).[8] So this is actually a one-sided demand. This requirement featured in the Korea treaty but is not in the EU's Singapore, Vietnam, Japan or Canada treaties. Given the clear lack of Australian demand for such a system, it is possible the Australian government will push back strongly against the details specified in the draft text.

As well as requiring specific approval for the other Party's legislation, the draft text sets up working party procedures to allow continued oversight by the EU of aspects of Australian GI policy (and, theoretically, vice versa). Such detailed oversight by an overseas power of domestic legislation has become a norm in IP chapters in trade treaties.[9] This raises issues of transparency and legitimacy.

The EU's negotiating text further specifies detailed contents for new Australian GI legislation (Articles X.34 to X.38 and Annex [XX]-B). Naturally the specified elements reflect the current EU system, designed for European agricultural conditions.

As Australia has very few registered GI names, the proposed new GI system would mostly create benefits for any European names that Australia agreed to list for GI 'protection'. The evidence (discussed below) suggests Australian producers have little interest in GIs.

Standard of protection (Article X.34)

By far the most challenging element of the EU GI demand is that the level of 'protection' for GIs exceed the consumer and unfair competition protections of TRIPS Article 22. While TRIPS Article 22 was uncontroversial, the more demanding Article 23 was hotly disputed.

TRIPS Article 23 requires legal means to:

> "prevent use of a geographical indication [name] …, even where the true origin of the goods is indicated or the geographical indication is used in translation or accompanied by expressions such as "kind", "type", "style", "imitation" or the like"[10]

This exact language, preventing the use of qualifiers on labels indicating a good's true origin, features in all five recent EU trade treaties. Additionally, transcriptions are not allowed in Korea treaty and transliterations in Japan.

The proposed text for the Australia treaty extends the Article 23 text, and recent EU treaty texts, in four ways:

- protection is against "any misuse, imitation or evocation" not just use;
- banning transcriptions and transliterations in a country using a latin alphabet;
- extension to when products are used as an ingredient
- specification of additional qualifiers that may not be used ("method", "as produced in" and "flavour").

This EU demand thus goes well beyond asking Australia to apply the TRIPS Article 23 standard of 'protection' to food products with a GI label. The biggest asks in the EU's demand are the provisions on evocation and the proposed limitations on packaging.

Evocation is a recent EU judicial norm having very broad effects in banning comparative advertising. It prevents comparisons that were previously legal in the EU (e.g. the marketing of Perrier as "the champagne of mineral waters"). It is based on the dubious argument that such comparative advertising brings the registered name into disrepute. There is no mention of evocation in any of the five recent EU treaties.

The proposed wording also seeks to interfere with longstanding packaging by Australian producers and distributors.

Perfect Italiano, for example is a well-known trademark for certain kinds of cheeses sold in Australia.[1] It uses green and red packaging. The EU would argue that this packaging 'evokes' the image of Italy as the colours of the Italian flag are green, white and red.

The EU's draft text, if accepted, would force producers and distributors like this to remake their images and packaging, with consequent additional costs. The proposed text on packaging goes much further in limiting packaging than do the texts in any of the five recent EU treaties.

Australian governments have long indicated, in international forums where GI policy is discussed, that the TRIPS Article 22 standard is a well balanced measure against false labelling and unfair competition. The Article 23 standard and the EU's proposed TRIPS-Plus policies have no justification and do nothing to either protect consumers or prevent unfair competition. If anything, it would do the reverse, especially with regard to suppressing fair competition. Indeed disagreement

[5] Some general submissions to DFAT on the negotiations address aspects of the EU's system proposals (e.g. that by the International Trademark Association). My overall submission with respect to specific GI name 'protection' is at https://www.dfat.gov.au/sites/default/files/dr-hazel-v-j-moir-anu-eufta-supplementary-submission.pdf.

[6] Recording available, follow links from https://tinyurl.com/new-gi-regulation.

[7] https://consultation.ipaustralia.gov.au/policy/geographical-indications/.

[8] The full EU draft text for the intellectual property (IP) chapter is at http://trade.ec.europa.eu/doclib/html/157190.htm.

[9] Such joint working parties are specified in four of the five recent EU trade treaties (not Japan). Such arrangements also feature in the CPTPP.

[10] This requirement applies only to wines and spirits whose geographic names date from after 1984.

over what constitutes unfair competition lies at the heart of the Article 22 / Article 23 dispute. In New World countries a label saying "parmesan cheese, made in Gippsland" is seen as fair competition.

Australian demand for food GIs

The current Australian system for providing GI protection for products other than wines uses the Certification Trade Mark (CTM) system. Of the 18 food product names currently having a registered CTM, 17 are owned by foreign entities. The only Australian registration is for Australian wild abalone.[11]

There are also four Australian regions that have registered CTMs for multiple types of foods, and sometimes for other product classes too. The broadest of these is "Tasmanian", a CTM owned by Brand Tasmania and covering 23 classes of products and services. Northern Rivers has a CTM for four food and drink classes plus hospitality services; and East Gippsland and the Mornington Peninsula each have a CTM for all five food and drink classes.[12]

These very few Australian registrations suggest there is minimal demand in Australia for a specific GI system for non-wine products. They also suggest that – to the extent there is any demand – the type of system required is one which protects regional names broadly, not in respect of narrow product groups, such as a specific type of cheese.

To date, Australia's Regional Development Authorities appear to have taken little interest in GI policy discussions, with the notable exception of Brand Tasmania. Again this suggests that existing norms and practices, including consumer protection laws, operate effectively to ensure that consumers are easily able to identify and buy products from regions with well-respected reputations.

There are some reports about labelling which might be deceptive, but these suggest a need for reviewing labelling laws and how well these are working. They also suggest greater care is needed in granting trademarks which incorporate a geographic name.[13] There is no evidence that an EU-Style GI system would actually work to address the small number of issues raised.

Protecting Australian food names overseas

There is a handful of reports about producers who want to gain recognition of their regional food label on overseas GI registration systems but are unable to do so because Australia does not have a *sui generis* GI registration system for food products.

This raises the question of why Australia has not negotiated recognition of its CTM system in its trade treaties.

These few complaints do not, in themselves, seem sufficient to warrant the introduction of a new regulatory system.

The Australian wine GI system

Australia does have a *sui generis* GI registration system for wines. Comparing Australia's wine GI system with that in Europe shows just how different the two continents are in terms of agricultural production. In both systems boundaries for wine regions are clearly delineated. But in Australia the rule for using the regional name on the wine is simple – at least 85% of the grapes must be grown within the delineated boundary.[14] There is no restriction as to where the grapes are processed.

The simplicity of the Australian wine GI system, compared to the EU system with its complex rules about production processes, means it is also very cost-effective. The regulator is the Australian Grape and Wine Authority. Compliance has been managed without increasing resources already devoted to meeting traceability and product safety requirements.

Co-existence with trade marks

The Australia-US Free Trade Agreement (AUSFTA) provides for objections to registration of a GI based on pre-existing trademark rights.[15] This treaty effectively guarantees the "first in time, first in right" rule that Australia used in the area of trademarks and GIs before this treaty. Rothbury Wines successfully objected to a Rothbury wine GI, because of their trademarks.

The EU negotiating text asks that Australia agree that pre-existing trademarks not be allowed to prevent later registration of a GI name. Canada agreed to this demand, but the situation there was quite different as Canada had granted a trademark for Parma ham, which prevented the Parma Ham Consortium marketing their GI product as Parma ham. It is hard to see how Australia could agree to this EU demand, given the AUSFTA.

Who pays?

The EU's draft text imposes two new costs on Australian taxpayers – it requires that GI registration be free and that enforcement be through administrative action. Australia's current CTM system requires holders of CTMs to pay application and renewal fees.

In general enforcement is through private action, though the Australian Competition and Consumer Commission (ACCC) can be requested to enquire into the misleading use of names. This rarely happens. There is no dedicated ACCC budget for such purposes.

A regional name system for Australia?

The available evidence suggests there is no need for an additional regulatory system for regional food names in Australia. Indeed in the absence of the current trade negotiations it is doubtful if there would be any discussion of this issue. While there are demands for improved policies to support the social and economic well-being of Australian

[11] There are also 11 registered collective trade marks for food products, of which one is Australian and owned by the Shark Bay Prawn Trawler Operators' Association Inc.

[12] And the Mornington Peninsula also has a pending CTM for artisan-made products, also for all five food and drink classes.

[13] For example Farmer's Barossa Almonds is a registered trademark (1439410), and the words "Barossa Almonds" are displayed in large print on the package. In much smaller print, the location – about 50 kms outside the Barossa – is specified. This example from Dr Paula Zito's presentation to the RMIT webinar *The EU Experience on Geographical Indications: Are There Benefits for Rural Development in Australia?*, 2020, https://www.rmit.edu.au/news/eu-centre-news/eu-experience-geographical-indications. -

[14] Up to three registered wine GI names can be claimed on a wine, but then 95% of the grapes must be grown within the three regions, with at least 5% from each region (William van Caenegem, Peter Drahos and Jen Cleary, 2015, *Provenance of Australian food products: is there a place for Geographical Indications?* Rural Industries Research and Development Corporation Report 15/060: 18).

[15] Schedule 3, *US Free Trade Agreement Implementation Act 2004*.

regions, requests for a name registration system do not feature among the key issues.

However, if Australia decided to develop a *sui generis* GI system for foods, it would be useful to begin by consulting Regional Development Authorities (RDAs). Additionally, as many grocery retailers have well-developed traceability systems, it would be useful to consult them as to whether a system to ensure regional names are not being wrongly used could build on existing traceability processes.

It would also be useful to study the experience of the Abalone Council of Australia with its CTM. This was accepted for registration five years ago, so the Council should have useful information on its impact. It would also be useful to study in depth the experience of the four Australian regions which have registered CTMs covering various food and drink product classes. Finally it would be useful to investigate cases where regional food name systems have been used but abandoned. For example the Granite Belt wine region had, for a few years, an associated food trail promoting local produce. This initiative failed as producers no longer wished to co-operate in this way.[16]

Information from such sources would answer some critical questions about the appropriate design of any *sui generis* food GI registration system that would meet the needs of Australian producers and consumers. For example:

- should names be for highly specific products, as in the EU, or for broad trade mark classes, or somewhere in between (e.g. cheeses)?
- should registration only be for food products or should it extend to cover services such as hospitality?
- would there be a need for approved production specifications (as in the EU) or would simple origin rules (as with Australian wine GIs) suffice?
- what proportion of the supply chain activity should occur within the region? Would regional naming be allowed if raw materials came from within the region but production occurred outside (as for Australian wines)?
- could existing traceability systems be adapted to ensure monitoring of the new scheme at minimal additional cost?
- would taxpayer funding be needed to ensure adequate consultation with affected producers prior to the registration of any regional name?

Monitoring and evaluating any new system

Australia has a long tradition of monitoring and evaluating industry support programs to make sure that they work effectively.[17] The Productivity Commission, in particular, now has a very wide ambit in its inquiries into aspects of social and economic support. But an odd feature of the EU GI system is that the EU holds no data on the producers using any registered GI name. This is despite procedural rules requiring that all producers following the production specifications of a registered GI be allowed to use that GI label. Indeed the EU proposes to make it unlawful for Australia to require provision of the names of users of a registered GI name as a matter of course (Article X.35). This ban would substantially increase the cost of monitoring any new GI system to assess its effectiveness.

Who would use any new system?

On the basis of current information, and the EU's demand for Australia to give GI 'protection' to 172 EU food names, it is clear that any new GI system would largely be used by foreign entities.

It does not seem desirable to design and introduce a regulatory system simply to meet the needs of selected European food producers.

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This project seeks to explore and improve understanding of the EU's evolving trade policy and its implications for third countries, including Australia and countries in the Asia-Pacific region. It boosts existing knowledge of the EU among third country partners and spreads EU trade policy content across third country institutions.
http://bit.ly/third-country-trade

[16] Presentation by Leeanne Puglisi-Gangemi at the 'Taking Provenance Seriously: Will Australia Benefit from Better Legal Protection for GI's?' Colloquium, Bond University Faculty of Law, 12 February 2019.

[17] See Bill Carmichael, Saul Eslake and Mark Thirwell, *Message to the G20: defeating protectionism begins at home*, Lowy Institute Policy Brief, Sept 2009, available at https://www.lowyinstitute.org/sites/default/files/pubfiles/Thirlwell%2C_Message_to_the_G20_1.pdf