

COMMUNICATION FROM ARGENTINA, AUSTRALIA, CANADA, CHILE, GUATEMALA, NEW ZEALAND, PARAGUAY AND THE UNITED STATES

By means of communications, dated 15 and 25 June 2001, the following text has been received from the Permanent Mission of Australia on behalf of the delegations of Argentina, Australia, Canada, Chile, Guatemala, New Zealand, Paraguay and the United States with the request that it be circulated as an unrestricted Council document.

EXTENSION OF THE PROTECTION OF GEOGRAPHICAL INDICATIONS FOR WINES AND SPIRITS TO GEOGRAPHICAL INDICATIONS FOR ALL PRODUCTS: POTENTIAL COSTS AND IMPLICATIONS

Overview of TRIPS debate concerning extension of scope

1. Several papers are before the TRIPS Council advocating particular positions in relation to the protection of geographical indications (GIs).¹ What is now needed is a serious assessment of consequences flowing from any proposal that recommends substantial changes to existing provisions of the TRIPS Agreement.
2. The debate on geographical indications has been focused primarily on two approaches:
 - The desire to extend the scope of GI protection for all goods to the level of "additional protection" provided to wine and spirits (Article 23) based on the premise that the "additional protection" would deliver enhanced benefits via increased trade opportunities for Members and producers, and more effective protection for consumers.
 - The wish to maintain the existing level of protection for all goods (Article 22), based on the premise that the current level of protection enables countries: to maintain access to existing markets; maintain ongoing access to trade opportunities in new and emerging markets; provide adequate protection to producers and consumers; and to not impose new administrative costs and legal obligations on Members.
3. An extension of the scope of Article 23.1 to products other than wines and spirits would entail a re-opening of the TRIPS Agreement. There is no mandate in any of the existing TRIPS provisions that could serve as a legal basis for negotiating such an extension. The arguments against extension are not based on judgments concerning the degree to which certain product groups inherently deserve

¹ IP/C/W/204/Rev.1, IP/C/W/205, IP/C/W/211, IP/C/W/247/Rev.1.

"additional protection". Rather, as is demonstrated below, the arguments are based on logical analysis, and reflect the underlying fact that the TRIPS Agreement forms part of a finely negotiated trade agreement.

4. In examining the merits of the different positions, three questions need to be addressed:

- What costs for Members are associated with altering the existing provisions?
- What is the effect on trade?
- What is the effect on consumers?

Issues that have been overlooked: potential costs and implications of extension

5. Consideration should be given to addressing the issues raised above and taking into account the following points that have not been sufficiently addressed in the debate that has taken place in the TRIPS Council so far:

- *The costs of extending the scope of Article 23.1* - These costs are likely to fall disproportionately on Members that do not already have TRIPS-plus laws and administrative mechanisms for the protection of GIs.
- *No evidence of failure of Article 22 to protect* - The countries that have promoted extension of Article 23.1 have not sufficiently demonstrated how existing TRIPS rules fail to provide sufficient protection for GIs.
 - They have not provided examples of cases where interested parties have sought to enforce TRIPS-consistent Article 22 level protection, and have failed.
 - Nor have their analyses examined the effect of TRIPS GI provisions as a whole. Instead, Article 23.1 has been the focus of attention.
- *No discussion of potential downsides of extension of scope* - Further there has not been any consideration of the potential downsides of extension including:
 - the costs of implementing new laws and administrative mechanisms that would be necessary to fulfil the new TRIPS obligations;
 - the administrative and financial burden of providing "additional protection" to a large number of other Members' GIs;
 - possible closing-off of future market access opportunities for emerging industries, and uncertainty concerning the continued use in existing markets;
 - differential impact on Members (and industry), particularly Members that do not already have elaborate TRIPS-plus systems in place;
 - consumer confusion caused by re-naming and re-labelling of products;
 - heightened risk of disputes over GIs between WTO Members and between producers in WTO Members.

6. The attached paper, put forward by Argentina, Australia, Canada, Chile, Guatemala, New Zealand, Paraguay and the United States, has been developed to address directly the three questions posed above. We would invite countries advocating changes to the existing provisions to specifically address these issues.

Negotiating history

7. Before directly addressing the views on extension of scope it is worth recalling that the key objectives of geographical indication protection, as contained in the Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement), are to ensure:

- that consumers are not misled as to the geographic origin of a good; and
- that such use does not amount to unfair competition.

8. Closely associated with this are the trade opportunities for producers that flow from the use of GIs.

9. The TRIPS Agreement contains two levels of protection for GIs (Articles 22 and 23). The additional level of protection provided under Article 23 is the result of a negotiating compromise reached in the broader context of the Uruguay Round negotiations. This compromise, sought by several wine-producing countries, particularly the EC, represented a significant concession by a number of Members, among them other wine-producing Members, that did not see the need to create an imbalance in GI protection by conferring increased protection on wine and spirit GIs. Our experience of implementation of the TRIPS Agreement since this time has done nothing to change our view that the Article 23 level of protection is unbalanced and that this imbalance should not be accentuated by extension of scope to all products.

10. This compromise - Article 23 - operates to confer exclusive rights over a particular term to one group of producers effectively depriving others of the right to use that term. This creates an imbalance as the grant of exclusive rights over a particular term confers a more restrictive protection than is necessary to achieve the fundamental objectives of GI protection set out in Article 22.2: not misleading the public and ensuring fair competition between producers in the market-place.

11. Article 22 protection against use which misleads the public and acts of unfair competition provides adequate recourse for producers to seek protection of legitimate GIs and, at the same time, does not require governments to undertake unduly burdensome steps to administer appropriate and effective protection.

12. It needs to be emphasized that this approach does not seek to minimize the intrinsic value of GIs, particularly as a means of promoting trade opportunities. Rather it recognizes, in full, this position. The views put forward in this paper strongly argue that WTO Members should be in a position to actively market their goods and services in a manner that does not impede trade or minimize the authenticity or intrinsic value of GIs.

13. Given the historic development of global markets and the need for existing, as well as new and emerging, markets to be accessed in cost effective ways, maintaining Article 22 level protection creates the optimal balance and trading conditions, rather than privileging those with more complex mechanisms for the protection of GIs.

ATTACHMENT

POTENTIAL COSTS AND PITFALLS OF EXTENDING SCOPE OF ARTICLE 23.1 OF THE TRIPS AGREEMENT

1. WTO Members have a common interest in securing effective protection for their geographical indications. This raises two key issues:

- whether extending the scope of Article 23.1 of the TRIPS Agreement to cover products other than wine and spirits would actually achieve more effective protection for those products; and
- assuming that such an extension would achieve more effective protection, whether the benefits of such protection would be outweighed by the costs, having regard to the interests of producers, consumers and WTO Members.

2. Effective protection involves a balance of interests between consumers, producers and governments. Consumers have an interest in not being misled by geographical indications; producers have a trade interest in protecting those reputational characteristics of a product that are related to its geographical origin; and governments have an interest in ensuring that international obligations relating to geographical indications are administered in an efficient and equitable manner.

Effectiveness of Article 22 protection

3. The TRIPS Agreement already obliges Members to facilitate the protection of GIs for all goods. This is the effect of Article 22. A Member can therefore already enforce protection of its GIs in all other Members, provided that that Member protects the GI domestically. The TRIPS Agreement also provides Members with the flexibility to implement their obligation in a manner most appropriate to their individual legal system and practice. Examples of how Article 22 operates to ensure effective protection for GIs for products other than wines and spirits include:

- "Darjeeling" (India) for tea²; "Stilton" (Great Britain) for cheese³; "Swiss" (Switzerland) for chocolate⁴; and "Roquefort" (France) for cheese⁵ - protected by the United States as registered certification marks.
- "Suisse/Swiss" (Switzerland) for chocolate; "Indian Spices" (India) for spices; "Ceylon" (Sri Lanka) for tea; "Florida" (US) for oranges; "Freiburger" (Switzerland) for cheese; "Stilton Cheese" (Great Britain) for cheese – protected by Canada as registered certification marks.

4. The key enforcement obligation on Members under both Articles 22 and 23 is to "provide the legal means for interested parties to prevent" the false use of a GI.

5. Members' governments are not themselves directly obliged under Article 23 to enforce GI protection, but simply to ensure that the legal means to do so are available. Therefore, even under Article 23 producers wishing to enforce protection of a certain GI would do so via recourse to the

² US Registration No. 1,632,726. All references to US registrations can be consulted via the Internet at <http://tarr.uspto.gov/>.

³ US Registration No. 1,959,589.

⁴ US Registration No. 1,570,455.

⁵ US Registration No. 571,798.

available legal and/or administrative mechanisms, rather than necessarily relying on the government of another Member to take action on their behalf.

Additional protection - Article 23 in context

6. Protection at the Article 23 level is far from absolute, because Article 23.1 exists in the context of other TRIPS rules on GIs. These rules reflect the need to strike a balance between the interests of a range of players (including consumers, producers and WTO Members) and include a number of important exceptions, and other conditions, that may impact on the eligibility for protection of terms claimed to be GIs.

- For many terms, extension of Article 23.1 to other products will not result in stronger protection. It is possible that many of the specific terms that Members are seeking to protect would not fall within the TRIPS definition, or would already fall within one of the exceptions. It is worth noting that to be protected under the TRIPS Agreement, whether at the Article 22 or Article 23 level:
 - a term claimed as a GI must fit the criteria set out in the TRIPS definition. This requires that a term claimed as a GI identifies a good as having a particular geographical origin and that a particular quality, reputation or other characteristic of the good is "essentially attributable" to its geographical origin;
 - even if the product meets this definition, several important exceptions can render some terms non-protectable, at least in the territories of some Members:
 - Some existing use would be preserved - Article 24.4 "grandfathers" existing use of GIs for wine and spirits, and this could be extended to all products if Article 23.1 was extended. This means that it may not be possible to prevent other Members from using a GI that they are already using domestically.
 - Generic terms would remain non-protectable - a term that has already become "generic" in a particular country would remain generic and non-protectable despite the extension of coverage (Article 24.6). This exception may affect terms with geographical origins that have become well known globally (for example "Cheddar" cheese).
 - Failure to protect in country of origin removes others' obligation to protect - before a Member could expect to obtain protection of its GIs in other Members, it must provide *domestic* protection for those GIs (Article 24.9). That protection may have to be at the Article 23 level. For the reasons set out below, this may place onerous obligations on all Members.

7. It is unclear, therefore, whether extending the scope of Article 23.1 to products other than wine and spirits would result in more effective protection than is already afforded to those products under Article 22. It is also unclear how Article 22 is failing to provide adequate protection of goods (other than wine and spirits) at present. In short, the case for extending the scope of Article 23.1 has not been made out satisfactorily to date.

8. It has been argued by some Members that, by permitting GIs to be accompanied by expressions such as "style" and "kind", Article 22 puts GIs at risk of becoming generic terms. This risk is overstated: commercial experience clearly indicates that genuine, internationally recognized GIs will always command a premium on world markets. Indeed, far from detracting from the market

value of a genuine GI, free and fair imitation of the product often enhances the intrinsic value (and premium) of the genuine GI.

9. It has been argued by some Members that Article 23 level protection would be more efficient and certain, since plaintiffs would not need to prove to judicial authorities that the public had been misled. According to the argument, this is a discretionary test that differs from country to country. This argument both oversimplifies the nature of Article 23 protection and overlooks a fundamental principle underlying the TRIPS Agreement. In particular, to pursue their rights under Article 23 as it currently stands, a Member would bear the burden of rebutting claims that one of the exceptions to geographical indication protection provided in Article 24 applies. Also, a fundamental principle of the TRIPS Agreement is that minimum intellectual property standards set out in the treaty can be accommodated and implemented by different judicial and administrative systems (Article 1.1).

10. It is also incorrect to suggest, as some Members have, that the test of misleading the public or unfair competition in Article 22 as applied in domestic jurisdictions leads to inconsistent decisions. Application of this test leads to decisions about whether use in a particular case is misleading or unfair by applying the same standard of misleading conduct or unfair competition in each case. It is the application of the same rules and standards at the national level in each case that provides consistency and certainty.

11. It has been suggested that the solution to the inconsistencies that some claim is created by the test set out in Article 22.2 is "absolute protection". This argument, however, ignores the clear recognition in the TRIPS Agreement of the need to strike an appropriate balance between the interests of the various players that have an interest in geographical indication protection. By subjecting geographical indication protection under Article 22 to a test of misleading the public or unfair competition, the TRIPS Agreement strikes a balance between the rights of consumers, producers and the general public.

12. WTO Members have chosen various mechanisms to implement GI protection in accordance with both Articles 22 and 23. Rather than creating an imbalance or distorting trade these differences in approach demonstrate the inherent flexibility that the TRIPS Agreement provides to Members to implement GI protection in the manner most appropriate to their economic, legal and social circumstances. Rather than requiring all Members to implement additional protection, the TRIPS Agreement leaves it to those Members whose circumstances justify the added costs and burden to provide such additional protection, whilst guaranteeing a minimum level of protection for all GIs.

Potential costs and burdens of extending the scope of Article 23.1

13. Even if it is assumed that extending the scope of Article 23.1 would result in more effective protection, it does not follow that it is in the interests of all Members to adopt this course of action. This is because extension - like any re-balancing of TRIPS rights and obligations - would involve certain costs and shifts in burdens among Members. These new costs and burdens include administration costs, trade implications for producers, increased potential for consumer confusion, potential producer conflicts within the WTO Members and a heightened risk of WTO disputes.

(i) Administration costs

14. Extension of Article 23.1 would create additional obligations under the TRIPS Agreement. New obligations involve the need to implement new laws and administrative mechanisms.

15. These increased obligations would need to be implemented at the national level by all Members, both developed and developing, that do not already provide "additional protection" for products other than wine and spirits.

16. Implementing and administering new laws would involve considerable costs in terms of both money and other resources for most governments, and may impact proportionately more on developing countries.

17. The new obligations would extend to all Members, including those that chose not to protect any of their own domestic GIs. Every Member would be obliged to protect the GIs of all other Members at the enhanced level of protection.

18. This could involve a considerable burden, particularly in view of the fact that some Members, such as the European Communities, have many hundreds of domestic geographical indications (see website europa.eu.int/comm/agriculture/qual/en/index_en.htm click on "Products") and would presumably expect "additional protection" of these terms by all other Members.

(ii) Trade implications for producers

19. Analysis is needed of the impact that any change in protection will have on the producers that use particular terms to present and market products.

20. Extending the scope of Article 23.1 to cover other products will undoubtedly be accompanied by claims from certain producer groups that they have the exclusive rights to particular terms. Any grant of exclusive rights to one group of producers necessarily involves depriving others of the right to use those terms. The costs to producers could include dealing with claims that a term that they use should be exclusively reserved for producers from another country or region, which may involve defending court actions.

21. Producers may also incur costs if they are forced to give up the use of commercially significant terms, as they would be forced to re-name, re-label and find new ways of marketing products that use such terms, both in domestic and overseas markets.

22. The negative impact of increased protection is likely to be felt most acutely by producers in new and emerging dairy and processed food industries, amongst others, in which the use of geographically significant terms is particularly prevalent.

23. This may have unintended consequences and, in particular, may entail significant costs to producers, even within the same country, which have traditionally used a term and are suddenly forced to give it up.

24. These industries may find potentially lucrative export markets closed to their products, as the government of the importing market or a third party may claim exclusive rights over the terms used to market those products. The TRIPS Council should be wary of the potential of GIs to be used as a protectionist instrument to restrict trade, particularly in the area of agriculture.

(iii) Consumer costs

25. A corollary to this is the cost of the consumer confusion caused by the disappearance of terms customarily used to identify products. This will increase search and transaction costs for consumers, at least in the short to medium term, and potentially prices as well.

(iv) Increased risk of producer conflict over individual GIs

26. The process of defining GIs (which would be necessary to prove that the Article 22.1 definition was met) would likely lead to disputes between producers.

27. Producers in the same country may disagree over demarcation of the region to be covered by a particular GI. Producers in different countries (particularly those with shared borders and therefore a shared history) which produce the same good and have traditionally used a certain GI may each claim "ownership" of the GI. The establishment of internal systems to address these conflicts would be an additional cost for Members.

(v) Increased risk of disputes between WTO Members

28. Any Member which did not provide the extended Article 23.1 protection for other Members' GIs could be taken to dispute settlement at the WTO. Experience shows that such disputes can be difficult and burdensome to resolve. Members should therefore be sure that they have a full understanding of, and the resources available fully to implement, Article 23.1 protection in relation to all goods before any agreement to take on new obligations.

An example

29. An example helps to illustrate some of the potential problems associated with extension of scope under Article 23.1:

Feta - Feta cheese is produced in a range of countries, including Greece, Denmark, Bulgaria, Australia, Canada, New Zealand and the United States. Under Article 22, it is legitimate for each of these countries to produce and export feta products, using such terms as "Danish Feta" or "Bulgarian Feta", which ensure that consumers will not be deceived or misled as to the origin of the good, or that competition is not unfair. Extension of Article 23 to other products may jeopardise these Members' rights to continue to produce and export these products. Extension would also prohibit other countries fledgling dairy industries from using the term "feta" in the future, thus limiting access to potential markets.

Conclusion - issues for consideration

30. This paper has discussed two fundamental issues relating to the extension of the scope of the protection of geographical indications under Article 23.1. These are whether extending the scope of Article 23.1 would achieve more effective protection for products and whether the benefits outweigh the costs. In summary, the paper has argued that:

- the countries that have promoted extension have not sufficiently demonstrated how the existing TRIPS rules, in particular Article 22, fail to provide sufficient protection for GIs;
- extension of scope under Article 23.1 would not necessarily achieve more effective protection for products, given the range of conditions and exceptions set out in the various GI provisions (including the Article 22.1 definition, and Article 24.4, 24.6 and 24.9);
- there has not been adequate consideration of the potential downsides of extension.

31. Several Members who are promoting extension of the scope of Article 23 already have in place complex domestic protection mechanisms, such as national registration systems or other administrative schemes, which provide for an Article 23.1 protection. For such countries extension of Article 23.1 to other products could be expected to involve limited additional costs. For the majority of WTO Members, which do not have such extended systems in place, there is an urgent need for an in-depth exploration of existing rules. Only with a collective understanding of what is required to implement the existing rules, will Members be in a position to weigh the relative costs, and any associated benefits of, extension.

32. Specific issues requiring further consideration by individual Members and/or the TRIPS Council include:

- What type of legal and/or administrative regime would be sufficient for a country to meet its obligations under Article 23.1 if it was extended to cover all goods?
- What would be the costs of establishing and administering such a regime, both to ensure "additional protection" for any domestic GIs, and to meet the obligation of protecting all other Members' GIs at the Article 23.1 level?
- What would be the benefits to Members, individually and collectively, of such a regime?
- Taking into account the relative quantities of GIs claimed by individual Members, do the potential benefits of extension outweigh the likely costs?
- Do those Members that already have a large number of GIs stand to benefit at the expense of those with just a handful of terms?

33. All Members, and particularly those that are already convinced that there is a real need for extension, should carefully consider the relative costs and benefits of extension, and its actual practical effect, including on current and future access to export markets, before arguing to amend existing treaty obligations.
