

**DRAFT**

UNCTAD/ICTSD Capacity Building Project on  
**Intellectual Property Rights and  
Sustainable Development**

# **Geographical Indications: A Review of Proposals at the TRIPS Council**

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**June 2002**

## Table of Contents

Explanatory note.....	1
Acknowledgements.....	2
Executive Summary.....	3
1. Introduction .....	6
2. First Principles of Geographical Indications .....	7
2.1 What are Geographical indications?.....	8
2.2 Doctrines and Legal Structure Supporting the Protection of Indications of Geographical Origin .....	11
2.3 IGOs and Protection of Indigenous Knowledge .....	13
3. The TRIPS Agreement and Contemporary Application of GIs.....	16
3.1 Definition of Subject Matter .....	16
3.2 Minimum Standards of Protection.....	18
4. GI-Extension: Analysing the TRIPS Council Debate.....	23
4.1 The Uruguay Round Balance: Immutable or Renegotiable? .....	24
4.2 Article 22: Sufficient Protection or Legitimising ‘Past Sins’? .....	25
4.3 The Potential Costs of GI-Extension .....	27
5. Conclusion .....	30
References .....	32

## Explanatory note

This first paper on geographical indications has been prepared in the context of the Project on TRIPS and Development Capacity Building sponsored by the Department of International Development (DFID UK). It is being implemented by the United Nations Conference on Trade and Development (UNCTAD) secretariat (Project Number INT/OT/1BH) and the International Centre for Trade and Sustainable Development (ICTSD). The broad aim of the Project is to improve the understanding of TRIPS-related issues among developing countries and to assist them in building their capacity for ongoing as well as future negotiations on intellectual property rights (IPRs).

The Project will produce a series of documents through a participatory process involving trade negotiators, national policy makers, as well as eminent experts in the field, the media, NGOs, international organizations, and institutions in the North and the South dealing with IPRs and development. The published outputs are not intended to be academic exercises, but instruments that, in their final forms, will be the result of a thorough process of consultation. This will be achieved by rapid development of working drafts and circulation of these to experts and to the intended audiences for their comments. These documents include:

- ***A Policy Discussion Paper*** intended to be a clear, jargon-free synthesis of the main issues to help policy makers, stakeholders and the public in developing and developed countries to understand the varying perspectives surrounding different IPRs, their known or possible impact on sustainable livelihoods and development, and different policy positions over TRIPS. (A preliminary draft of the Paper was issued on 20 Nov. 2001)
- ***A Resource Book on TRIPS and Development*** conceived as a guide that will provide background and technical information on the main issues under discussion in TRIPS. It should be a practical tool for negotiators and policymakers in order to facilitate their informed participation in negotiations and decision-making processes.
- ***Case studies*** on various IPRs issues to supplement the Resource Book and the Discussion Paper. This will allow concrete evidence to emerge and shed light on the impact and relevance of IPRs in developing countries. The case studies will be selected on the basis of concerns expressed by developing countries as well as priority areas identified by their negotiators. These studies will cover areas such as compulsory licensing (forthcoming), technology transfer, nutrition, geographical indications.

In addition, the Project will develop background material dealing with Indicators of the Relative Importance of IPRs in Developing Countries (see draft of November 2001), a Review of Activities being carried out by other organizations and institutions on TRIPS related questions (forthcoming), and a Review of Literature (available in the website). For further details on the activities of the Project and available material, see <<http://www.ictsd.org/unctad-ictsd>>.

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## **Acknowledgements**

I am grateful to the UNCTAD/ICTSD team for the invitation to write this paper on GI-extension, in particular to Graham Dutfield, Pedro Roffe, Ricardo Meléndez and Christophe Bellmann. Acknowledgement is also made of discussions with the UNCTAD/ICTSD team on an earlier draft of the study. I am grateful to Biswajit Dhar, Sudhir Krishnaswamy, Ruchi Tripathi and Thu Lang Tran Wasescha for their comments on an earlier draft and their assistance in identifying relevant research. Informal meetings with a number of delegates to the Council for TRIPS were conducted to solicit views on an earlier draft of the study. Acknowledgement is made to all of those, including officials of international organisations that generously contributed with their time and useful comments to the work.

Grateful acknowledgement is made of Christoph Spennemann's indispensable work in organising the meetings. The final disclaimer applies.

## Executive Summary

The presence of additional protection for wines and spirits under TRIPS Article 23 has long been a grievance of certain WTO members. For some members the Article is a compromise that was politically negotiated at the Uruguay Round. For others it is prejudiced against other product categories and thus forms the basis for their demand for expanding the product coverage of Article 23. While the Doha Declaration's mandate concerning geographical indication (GI) extension remains hotly contested, debate at the TRIPS Council is underway. This document examines TRIPS Council submissions on the subject.

While there is a long history in the use of 'marks' and international treaties concerning 'indications of geographical origin' (IGOs) exist (viz. the Madrid and the Lisbon Agreements), GIs are essentially defined in the TRIPS Agreement. It is useful to consider and compare GIs with two other notions: indications of source and appellations of origin. Unlike these predecessors, GIs are directed at 'goods' and not 'products', a point which suggests that services are excluded from the relevant part of TRIPS (Part II Section 3). Similar to indications of source, GIs are indications that point to the geographical origin of a good and can take the form of words, phrases, symbols and iconic emblems. This contrasts with appellations of origin, where the indication must necessarily be a direct geographical name. Finally, for GIs 'reputation', 'given quality' and 'other characteristics' are each sufficient condition, *ceterius paribus*, for the grant of protection. This contrasts with appellations of origin where the requirement is only for 'quality and characteristics'. Indications of source do not have any such requirement.

Before going further, it is necessary to explain that the expression 'indication of geographical origin' (IGO) is used in this paper to collectively refer to the various terms used nationally and internationally to indicate the geographical origin of goods and services.<sup>1</sup> The term is used unless the discussion warrants a reference to a more specific expression such as geographical indication, indication of source or appellation of origin. The rationale for protecting IGOs is found to be similar to that for other IPRs, in particular trademarks, and relates to the public good properties of knowledge. Trademarks reflect the accumulated goodwill of a firm based on its investment in product standards and quality. Trademark protection ensures that other manufacturers cannot free-ride on the reputation of a mark or engage in unfair competition. It is suggested here that similar dynamics exist in the case of IGOs, in particular free-riding on reputation and goodwill.

Within international treaties like the Paris Convention and the Madrid and Lisbon Agreements, two doctrines provide the legal reasoning behind IGOs: protection against misleading or deceptive use of indications and protection against dilution of IGOs. Under the former, protection is offered against the misleading/deceptive use of (non-generic) indications on products not originating in the geographical area to which the indication refers. Articles 22.2(a) and 22.4 provide for this doctrine in the TRIPS Agreement. The second principle aims to protect against 'free riding' on reputable indications and prohibits acts of unfair competition. In the TRIPS Agreement, Article 22.2(b) makes provision for this doctrine. Article 3 of the Lisbon Agreement provides a stronger version of the same doctrine that prohibits the use of the protected indication in translated form or accompanied by terms such as 'kind', 'type', 'make', or 'imitation'. While this is not limited by product category, in the TRIPS Agreement this is only available for wines and spirits only (Article 23.1). This difference may be a rare moment in the history of international protection of intellectual property where the scope of application of a succeeding multilateral agreement is narrower than its predecessor.

In comparison to other IPRs, GIs are considered more suitable to the ethos and cultural practices of indigenous peoples. Protected indications tend to be products that are land-based and exhibit historical and symbolic links between product and place of origin. Locally produced foodstuffs make up a small

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<sup>1</sup> See WTO 2001 IP/C/W/253, paragraph 6.

proportion of the market and represent a *potential* niche. Exploiting this niche, in particular against the trend towards de-localised and homogenised agri-food, requires effective marketing. GIs are considered useful because of the emphasis they place on the product-place linkage. In addition, three features are noted: knowledge remains in the public domain, the scope of protection is limited to controlling the class and/or location of people who may use the protected indication, the rights can potentially be held in perpetuity as long as the product-place link is maintained.

Part II Section 3 of the TRIPS Agreement makes provisions for GIs. The subject matter definition (Article 22.1) does not distinguish between goods based on the sector (agriculture or industry) or type of production (manufactured or handicraft). Yet, the Section is unique in having a single subject matter definition (Article 22.1) followed by two levels of protection based on product categories. The analysis presented here suggests that inclusion of services was neither the intention of the drafters nor is easily possible within Article 22.1. Apparent in the subject matter definition are three conditions for grant of protection: the indication, which can be words, phrases, symbols or iconic emblems, must identify a good as originating in a designated geographical area; the good must exhibit either 'given quality' or 'reputation' or 'other characteristics'; the distinctive feature of the good must be essentially attributable to the geographical area identified in the indication.

A review of implementation carried out by the WTO Secretariat (IP/C/W/253) is the only comprehensive information available on GIs. Very few developing countries were included in this review. In general, it is evident that GIs are made available in different ways in each country. First, different legal means are used to implement the TRIPS obligation, which include trademark and business practice law and *sui generis* legislation. Second, each of the three conditions for grant of protection are applied differently.

Article 22 provides the basic framework for GI protection and is also understood as establishing the minimum scope of protection. There are three components to the legal/economic scope of protection: protection against deceptive/misleading use of an indication; protection against the use of indications that are acts of unfair competition; provisions for refusal/invalidation of trademarks that contain or consist of indications. Closer analysis of the scope, particularly in comparison to Article 23 and to the protection available for trademarks, reveals that the scope is relatively limited. For example, proving the public has been misled or that acts of unfair competition have occurred is difficult, thus limiting the effectiveness of protection. In comparison, Article 23 provides stronger protection (see paragraph 5). Unanswered questions remain about the GI-trademark relationship.

Interestingly, the debate on GI-extension at the TRIPS Council begins with some shared appreciation on the commercial value of distinctive marks. However, deeper divisions prevail on either the merit of GI-extension and/or the appropriate balance in terms of expanding product coverage of Article 23. Analysis of the submissions to the TRIPS Council leads to the identification of three themes: (i) the 'negotiating balance' achieved at the Uruguay Round; (ii) insufficiencies of the scope of protection available under Article 22; and (iii) the potential impact on trade and consumers.

With respect to the first theme, it is commonly held that additional protection for wines and spirits (Article 23) was a political bargain struck during the last stages of the Uruguay Round. Consequently, those members opposing GI-extension hold the view that any changes in the Agreement would disturb this rights/obligation balance. However, there is no logical rationale for this discrimination between product categories. Members seeking GI-extension present a particular reading of Article 24.1 (along with 24.2) as the juridical basis for their demand. While the reading of Article 24.2 is promising, though an issue requiring more analysis, the interpretation of Article 24.1 as applying to all product categories is not convincing.

The second theme concerns the differences in scope of protection between Article 22 and Article 23. Members opposing GI-extension state that available legal means, such as laws of business practices and protection through certification marks, for Article 22 provide effective protection. Moreover, there

is no evidence of the inadequacies of protection or the loss of commerce. In contrast, the *demandeurs* draw attention to problems with respect to burden of proof and the impact of use of a protected indication in translated form. These raise the risk of the indication becoming generic. While this is intuitively clear, empirical evidence of trade losses would help proper assessment. Members opposing GI-extension remind the *demandeurs* that Article 23 does not provide ‘absolute protection’ and that available exemptions will dilute the potential benefits. This is important to note and *demandeurs* should be aware that economic return or the end to free-riding on reputable indications depends on keen marketing efforts (section 2.2).

Aspects of the third theme are probably the most problematic and concern costs associated with implementing GI-extension, costs arising from consumer confusion and costs on account of trade/production disruption. Members opposing GI-extension contend that the obligation entails excessive costs, much of which will fall on developing countries. In contrast, *demandeurs* note that the obligation requires only providing ‘legal means’ for interested parties to protect their indications. Arguably, there are many alternatives available to fulfil this obligation. However, it is not clear how the obligation will impact the implementation problems confronted by developing countries. Both groups of countries agree that there will be a potential period of consumer confusion on account of changes in product labelling. While clearer product labelling should help producers and consumers, it is not clear how long the adjustment period will last. Members opposing GI-extension suggest that trade and production disruption is an adverse consequence of this demand. Interestingly, *demandeurs* have not directly responded to this point. Instead they reason that IPRs are predicated on preventing misappropriation of and free-riding on intellectual property – a result that is not unique to GIs. Clearly, producers from non-designated geographical areas can produce the good but the use of the indication will be prohibited.

## 1. Introduction

Geographical indications (GIs) are increasingly recognised as tool for securing the link between product quality and the region of geographical origin (cf. contributions at WIPO Symposium, 2000). The connection between product and region is a *potential* that allows for niche marketing, brand development and extracting value from reputable indications. While these possibilities are not themselves new – what is new is the use of GIs as an IPR and the range of products under consideration (cf. Box 1).

### Box 1: Examples of protected geographical indications

*During the December 1998 TRIPS Council meeting the following were some geographical indications noted as protected in select countries:*

**Bulgaria:** Bulgarian yoghurt, Traminer from Khan Kroum (wine), Merlou from Sakar (wine)

**Canada:** Canadian Rye Whisky, Canadian Whisky, Fraser Valley, Okanagan Valley, Similkameen Valley, Vancouver Island

**Czech Republic:** Pilsen and Budweis (beers), various vines, liqueurs, Saaz hops, Auscha hops, Jablonec jewellery, Bohemia crystal, Vamberk lace

**European Union:** Champagne, Sherry, Porto, Chianti, Samos, Rheinhessen, Moselle Luxembourgeoise, Mittleburgenland (all wines); Cognac, Brandy de Jerez, Grappa di Barolo, Berliner Kümmel, Genièvre Flandres Artois, Scotch Whisky, Irish Whiskey, Tsikoudia (from Crete) (all spirits); and a range of other products, such as Newcastle brown ale, Scottish beef, Orkney beef, Orkney lamb, Jersey Royal potatoes, Cornish Clotted Cream, Cabrales, Roquefort, Gorgonzola, Aziete de Moura, Olive de Kalamata, Opperdoezer Ronde, Wachauer Marille, Danablu, Lübecker Marzipan, Svecia, Queijo do Pico, Coquille Saint-Jacques des Côtes-d'Amour, Jamón de Huelva, Lammefjordsgulerod

**Hungary:** Eger (wine), Szatmar (plum)

**Liechtenstein:** Malbuner (meat products), Balzer (Hi-tech products)

**Slovak Republic:** Korytnická minerálna voda (mineral water), Karpatská perla (wine), Modranská majolika (hand-painted pottery), Piešťanské bahno (healing mud)

**United States:** Idaho, (potatoes and onions), Real California Cheese, Napa Valley Reserve (still and sparkling wines), Pride of New York (agricultural products), Ohio River Valley (viticulture area)

*Source: WTO News – 1998 News Items (www.wto.org)*

Debate concerning GIs has shifted gear with its inclusion on the agenda of the current round of WTO negotiations. Deep divisions exist between members on the extent of the mandated discussion and whether the issue of GI-extension is on the agenda for the next round (cf. Bridges 5(9); Grazioli, 2002; Rangnekar, 2002). Yet, it is fair to recognise that for some members the issue of GI-extension is of importance (cf. Box 2). There are a range of issues connected with GI-extension. For example, some commentators recognise the potential of GIs as an instrument of intellectual property protection that is somewhat more consistent, compared to other IPRs, to the ethos and practices of communities (cf. section 2.3 below). In particular, its link to location and the potential lack of concentration and accumulation make it a likely candidate for protecting the rights of traditional communities.



**Box 2: GI-extension proposals for the Seattle Ministerial**

*A variety of member countries made specific recommendations on GI-extension during preparation for the 1999 Seattle Ministerial. Below is a sample of some of these recommendations.*

**Czech Republic (WT/GC/W/206):** work on expanding the scope of Article 23 should continue and be completed within a given time-period.

**Cuba et al. (WT/GC/W/208):** general recommendation that additional protection be extended to products other than wines and spirits.

**India (WT/GC/W/225):** additional protection under Article 23 be extended to products other than wines and spirits

**Turkey (WT/GC/W/249):** recognising that GI-extension would play an important role for the development of local producers and industries concerned, recommends that the General Council submit a recommendation to the 3<sup>rd</sup> Ministerial to extend the coverage of Article 23 to products other than wines and spirits

**Kenya (WT/GC/W/302):** noting that the Singapore Ministerial accepted the inclusion of spirits within the scope of negotiations under Article 23.4, it recommends that negotiations under Article 23.4 be extended to other product groups (viz. handicrafts and agri-food products)

*Source: Member country submissions to the WTO (as indicated)*

Despite the interest of a host of WTO members on GI-extension and the heated debates at Geneva on the subject, there is little scholarly attention to the subject. There exists, under the auspices of the WIPO symposia on international protection of GIs<sup>2</sup>, a growing literature on the legal aspects of GIs and its regulatory structure in select countries. Particularly missing is any substantive economic assessment of the functioning of GIs and by corollary of the case for or against GI-extension. For example, it is not clear how and to what extent have growers, processors, manufacturers, traders and consumers benefited from the existence of GIs in countries where such protection exists. Of obvious importance are concerns about the distribution of costs/benefits across these different groups and the changes in this distribution in time. This paper provides a preliminary economic analysis on the subject of GIs. It restricts itself to an assessment of the TRIPS-debate on GI-extension (cf. section 4).

The study begins with an overview of the first principles on GIs where a discussion of the different definitions for GIs is presented (cf. section 2). The analysis also includes a discussion of the legal doctrines that provide the juridical structure to GI legislation and an assessment of the reasons why GIs are considered a useful mechanism for the protection of indigenous knowledge and communities by some commentators. Section 3 of the paper briefly reviews the provisions for GIs under the TRIPS Agreement. Section 4 provides a critical assessment of the TRIPS debate on GI-extension.

## 2. First Principles of Geographical Indications

<sup>2</sup> Also relevant here are deliberations within WIPO's Standing Committee on the Law of Trademarks, Industrial Design and Geographical Indications.

## 2.1 What are Geographical indications?

The term ‘geographical indications’ entered into international intellectual property law with its inclusion in the TRIPS Agreement – reflecting in great measure the negotiating success of the EC and its member states. The interest of the EC and its member states in including GIs within TRIPS reflects their frustrated attempts in securing an international treaty on indications of geographical origin (IGOs) at the WIPO<sup>3</sup>. Notable are the following events (WIPO – International Bureau, 2001a):

- Lisbon Conference for the Revision of the Paris Convention<sup>4</sup> (1958): At the 1958 Conference attempts were made to include the word ‘origin’ in Article 10*bis* so as to make explicit the application of principles of unfair competition on IGOs. However, these attempts were defeated by one vote – the vote of the US (Conrad, 1996)<sup>5</sup>.
- WIPO preparations for a new multilateral treaty on the protection of geographical indications (1974-75): In 1974, WIPO’s Committee of Experts developed a draft treaty for the international protection of geographical indications<sup>6</sup>. This draft became part of the basic proposal for the revision of the Paris Convention and was provisionally numbered Article 10*quarter*. The objective of the treaty was to merge the pre-existing notions indications of source and appellations of origin within the new notion of GIs. As the Diplomatic Conference for the Revision of the Paris Convention did not conclude, the efforts to include geographical indications remain unfulfilled. In 1975, WIPO also produced a Model Law on geographical indications for adoption by developing countries (Blakeney, 2001).
- WIPO’s Committee of Experts on Geographical Indications (1990s): In 1990, WIPO’s Committee of Experts on the International Protection of Geographical Indications revived its efforts for a treaty. Strong disagreement between different delegates stalled any substantive debate and eventually led to the suspension of any further deliberations.

These are but some of the events influencing the inclusion of GIs in the TRIPS Agreement. Given the evident links between development at TRIPS and earlier treaties, it is imperative that we discuss notions of IGOs that pre-existed the TRIPS Agreement. Here, of particular importance are notions like indications of source and appellations of origin.

The term ‘indication of source’ is used in the Paris Convention (Articles 1[2] and 10) and the Madrid Agreement<sup>7</sup>, though there is no specific definition available in either of the two treaties. However, a clarification of the notion is available in Article 1(1) of the Madrid Agreement (cf. box 3).

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<sup>3</sup> Mention should also be made of the fact that membership of and adherence to either the Madrid or the Lisbon Agreements was limited. For example, US, Germany and Italy are not members of the Madrid Agreement.

<sup>4</sup> The Paris Convention for the Protection of Intellectual Property was agreed in 1883 and has been revised at Brussels (1900), The Hague (1925), London (1934), Lisbon (1958) and Stockholm (1967). The Convention was amended in 1979.

<sup>5</sup> Conrad, A., 1996: The protection of geographical indications in the TRIPS Agreement. The Trademark Reporter, 86, 11-46. Cited in Watal (2001).

<sup>6</sup> This appears to be the first acknowledged use of the term ‘geographical indications’ (WIPO, 2001 SCT6/3, paragraph 71).

<sup>7</sup> The Madrid Agreement for the Repression of False or Deceptive Indications of Source of Goods was adopted in 1891 and revised at Washington (1911), The Hague (1925), London (1934), Lisbon (1958) and Stockholm (1967).

**Box 3: Key definitions and articles concerning Indications of Geographical Origin**

Indications of Source as in the Madrid Agreement, Article 1(1)

*'All goods bearing a false or deceptive indication by which one of the countries to which this Agreement applies, or a place situated therein, is directly or indirectly indicated as being the country or place of origin shall be seized on importation into any of the said countries.'*

Appellations of Origin as in the Lisbon Agreement, Article 2

*(1)... 'appellations of origin' means the geographical name of a country, region or locality, which serves to designate a product originating therein, the quality and characteristics of which are due exclusively or essentially to the geographical environment, including natural and human factors.*

*(2) The country of origin is the country whose name, or the country in which is situated the region or locality whose name, constitutes the appellation of origin which has given the product its reputation.*

Geographical Indications as in the TRIPS Agreement, Article 22.1

*... indications which identify a good as originating in the territory of a Member, or a region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin.*

Two elements of the notion have been identified in the literature (Baeumer, 1999; Hopperger, 2000; WIPO – International Bureau, 2001b). First, there is a clear emphasis on the link between the 'indication' and the 'geographical origin' of the product, rather than any other criterion of origin, such as say the manufacturing enterprise producing the product. Consequently, focus is on the geographical area within which the product originates through indications like 'made in ...', where reference is to a country or a region therein. Second, particularly in comparison to other IGOs, there is no suggestion that the qualities or characteristics of the products are derived from or essentially attributed to the place of origin. In addition, according to the present commentator, a third element to the notion is identifiable, which has been incorporated into the notion of GIs (see below). An indication of source may be either constituted by words or phrases that directly indicate the geographic origin of the product or be implied indirectly through symbols, emblems or words/phrases associated with the geographical area of origin.

Appellation of origin is a term used in the Paris Convention (Article 1[2]) and is defined in Article 2 of the Lisbon Agreement<sup>8</sup> (cf. box 3). Apparent in this definition is that appellations of origin must be direct geographical names of either the country, the region or the locality. Relative to the Madrid Agreement, this condition places a higher threshold and thereby narrows the range of feasible indications. Moreover, it is necessary for the qualifying product to exhibit 'quality and characteristics' that are essentially attributed to the 'geographical environment, including natural and human factors' where the product originates. Examples of protected appellations under the Lisbon Agreement include 'Bordeaux' for wine, 'Noix de Grenoble' for nuts, 'Tequila' for spirit drinks and 'Jaffa' for oranges (WIPO – International Bureau, 2001b).

It is with this background that an assessment of the GI definition proposed in TRIPS can be conducted. The relevant definition is provided in Article 22.1 (cf. box 3). Even while this definition closely follows the Lisbon Agreement there are important deviations (Gervais, 1998; Escudero, 2001; WIPO – International Bureau, 2001b):

<sup>8</sup> The Lisbon Agreement for the Protection of Appellations of Origin and their Registration was agreed in 1958 and has been revised at Stockholm (1967) and amended in 1979.

- GIs under TRIPS refers explicitly to ‘indications which identify a *good*’, whereas earlier treaties (viz. Madrid and Lisbon Agreements) focus on *products*. This difference between goods and products have implications on the subject matter protected (cf. Box 5).
- Following the principle established through the definition of indications of source, GIs are indications pointing to the ‘geographical origin’ of a product to a given country, region or locality, whereas appellations of origin must necessarily be geographical names of countries, regions or localities<sup>9</sup>. In other words, GIs could be iconic symbols or emblems like the Eiffel Tower to designate a French good, or the Taj Mahal to designate an Indian good or the Statue of Liberty to designate an American good. Moreover, denominations that are not ‘direct geographical names’ (such as Basmati) are feasible<sup>10</sup>.
- ‘Reputation’ is an additional element constituting the notion of GI, thus going beyond the Lisbon Agreements exclusive focus on ‘quality and characteristics’ of a product<sup>11</sup>. In other words, under the TRIPS Agreement, ‘reputation’, ‘quality’ and ‘other characteristics’ are each in their own right a sufficient condition, *ceterius paribus*, for the grant of a GI. Consequently, goods having a certain ‘reputation’ but no specific quality attributable to their place of origin would remain outside the remit of appellations of origin, but would fulfil the TRIPS definition.

Amongst the three notions, indication of source is considered the broadest category of ‘indications’ since neither does the definition establish limits for the denomination nor are there any qualifiers with respect to product characteristics (Bauemer, 1999; Escudero, 2001; WIPO – International Bureau, 2001b)<sup>12</sup>. In contrast, appellation of origin is considered to be the narrowest of the three notions since it requires the denomination to be direct geographical names and has a qualifier for product characteristics.

<sup>9</sup> This deviation of GIs in TRIPS from appellations of origin is an incorporation of an aspect of the definition of indications of source, where the requirement is for a ‘direct or indirect’ indication of the geographical origin of the product.

<sup>10</sup> India’s legislation on GIs makes this a clear possibility, see the explanatory note following the definitions in Section 2 (cf. Box 4).

<sup>11</sup> Interestingly, Article 1(2) of the Lisbon Agreement makes a reference to ‘reputation’; however, we did not find any specific commentary on this observation. It might be the case that under the Lisbon Agreement, reputation is a consequence of quality and characteristics of the product rather than an independent attribute of the product as would be the case for GIs under TRIPS. Our investigations reveal that the specific inclusion of ‘reputation’ in Article 22.1 of TRIPS did not exist in the December 1990 draft presented to the Brussels Ministerial Conference. Instead, this wording is found in the consolidated text developed by Ambassador Anell (MTN.GG/NG11/W/76; reprinted in Gervais, 1998). It is no surprise that wording of the TRIPS Agreement is consistent with and closely resembles the definition of GIs in the EC Regulation on Geographical Indications (No. 2081/92 of 14 July 1992) (see Box 4).

<sup>12</sup> There are other factors that differentiate these three approaches to protect indications, such as the scope of protection and exceptions to the obligations. Such a comparison is outside the scope of this document, but it is pertinent for understanding the subject.

**Box 4: Definitions of Indications of Geographical Origin**European Commission Regulation No. 2081/92 of 14 July 1992, on the Protection of Geographical Indications and Designations of Origin for Agricultural Products and Foodstuffs

Article 2. For the purpose of this Regulation,

[...]

(b) geographical indication: means the name of a region, a specific place or, in exceptional cases, a country, used to describe an agricultural product or a foodstuff:

- originating in that region, specific place or country, and

- which possesses a specific quality, reputation or other characteristics attributable to that geographical origin and the production and/or processing and/or preparation of which take place in the defined geographical area.

North American Free Trade Agreement

Article 1721

2. For purposes of this Agreement:

[...]

2. geographical indication means any indication that identifies a good as originating in the territory of a Party, or a region or locality in that territory, where a particular quality, reputation or other characteristic of the good is essentially attributable to its geographical origin.

India's Geographical Indications of Goods (Registration and Protection) Act, 1999

Section 2: Definitions and interpretations

(1) In this Act, unless the context otherwise requires:

[...]

(e) 'geographical indication', in relation to goods, means an indication which identifies such goods as agricultural goods, natural goods or manufactured goods as originating, or manufactured in the territory of a country, or a region or locality in that territory, where a given quality, reputation or other characteristic of such goods is essentially attributable to its geographical origin and in case where such goods are manufactured goods one of the activities of either the production or of processing or preparation of the goods concerned takes place in such territory, region or locality, as the case may be.

*Explanation.* For the purposes of this clause, any name which is not the name of a country, region or locality of that country shall also be considered as the geographical indication if it relates to a specific geographical area and is used upon or in relation to particular goods originating from that Country, region or locality, as the case may be.

**2.2 Doctrines and Legal Structure Supporting the Protection of Indications of Geographical Origin**

It is useful to consider some of the rationales and principles that provide the legal and public policy foundation for the protection of IGOs. Like other instruments of IPRs included within the TRIPS Agreement, such as patents, trademarks and copyright, a fundamental rationale for providing GIs relates to the public good properties of knowledge/information and the resulting possibilities of 'free riding'. For instance, in the case of patents it is suggested that firms will tend to underinvest in R&D – the essential activity generating new knowledge and information – from society's point of view, because of their inability to appropriate (i.e. profit) the entire economic benefits of this investment<sup>13</sup>.

<sup>13</sup> This view is as old as economics: see the works of 19th century writers like Jean Baptiste Say or Jeremy Bentham (von Tunzelmann, 1995). Arrow (1962) provides a sophisticated presentation of this argument of the inappropriability of the R&D. Dasgupta and David (1994) revisit the same argument from a 'new economics of science' perspective.

To state this differently: imitators are able to access or copy the information embedded in inventions, thus reproducing the invention without incurring the time or the fixed costs associated with the invention's development. This is a disincentive to the firm that is proposing to invest in R&D<sup>14</sup>. Consequently, patents are one of the public policy instruments used by governments along with provisions for R&D tax credits and the public funding of research.

The rationale for protecting trademarks is not too dissimilar from that of patents. Here, it is argued that firms invest in establishing product standards and quality that through repeated purchases by (satisfied) consumers generates goodwill and reputation. The 'mark' on the good allow consumers to easily identify it, since in the mind of the consumer there exists an association between the 'mark' and the 'quality' of the good. Hence the rationale for protection, as suggested in the following quote;

Trademarks allow consumers to identify the products of companies that have satisfied them in the past. Thus, a trademark becomes an asset of the firm, embodying its accumulated goodwill. When governments grant firms exclusive property rights to their marks, they protect firms' investments. Without such protection, firms would find it difficult to appropriate the benefits from maintaining the quality of their products and would have less incentive to do so (Grossman and Shapiro, 1988a, p60).

The misappropriation of trademarks through the production of counterfeit goods is said to harm the reputation of a firm and dilute their market power<sup>15</sup>. This is easily apparent in the context of 'status goods', viz. goods that are associated with prestige because of their label. The presence of counterfeit goods in the market for 'status goods' is striking in that it purchasers are not necessarily deceived into purchasing a counterfeit, as they may knowingly purchase the fake so as to deceive observers who are duly (though mistakenly) impressed. Moreover, the counterfeit product, which may or may not be of quality comparable to the original, allows some consumers to purchase the 'status' associated with the label without having to pay the premium price associated with the original. The wider consumption and display of the status good dilutes the 'snob value' of the label. Further, the original firm also has to confront price-competition from the counterfeit producer.

It is with the above background that the rationale for and the legal foundation of protecting IGOs can be addressed. A useful starting point is the following quote from a WIPO document:

'Geographical indications are understood by consumers to denote the origin and the quality of products. Many of them have acquired valuable reputations which, if not adequately protected, may be misrepresented by dishonest commercial operators. False use of geographical indications by unauthorised parties is detrimental to consumers and legitimate producers. The former are deceived and led into believing to buy a genuine product with specific qualities and characteristics, while they in fact get a worthless imitation. The latter suffer damage because valuable business is taken away from them and the established reputation for their products is damaged' (WIPO – International Bureau, 2002).

Identifiable in the above quote are two doctrines that form the legal infrastructure for the protection of IGOs:

Protection against misleading use of IGOs: Protection is offered against the use of the IGOs on products not originating in the geographical area to which the indication refers, where such use of the indication *misleads the public*. For the use of an indication to be considered 'false' – and hence mislead the public – it must be the case that the public perceive the (original) IGO to refer to a certain

<sup>14</sup> Some economists present a contrasting analysis of the economics of R&D, in particular questioning the assumption that knowledge/information easily diffuses or is costlessly applied by 'pirating' firms.

<sup>15</sup> See Grossman and Shapiro (1988b) for an analytical treatment of this situation, the paragraph is based on their exposition.

geographical area<sup>16</sup>. Naturally, denominations which have become generic do not meet this requirement. Under the Paris Convention this principle, which equally applies to appellations of origin and indications of source (Escudero, 2001, p9), is applied in instances where the denomination may be either ‘directly’ (i.e. explicit words) indicated or ‘indirectly’ (i.e. symbols and emblems) imputed (cf. Article 10). A variety of border measures exist in the Paris Convention to implement this doctrine. The Madrid Agreement broadens the scope of this doctrine to include ‘deceptive’ indications of source.<sup>17</sup> Deceptive indications are those that are literally true, but nevertheless misleading:

‘... where two geographical areas, possibly in two different countries, have the same denomination but only one of them so far has been used for the purposes of an indication of source for certain products, and such indication is used for products originating from the other geographical area in a way that the public believes that the products originate from the first area ... then such use is considered as a deceptive use because the public believes that the products originate from the geographical area for which the indication traditionally has been used’ (Baeumer, 1999, p17).

The essential doctrine is provided in the TRIPS Agreement through Article 22.2(a) and Article 22.4 provides for the case of ‘deceptive’ use of GIs (cf. section 3).

Protection against dilution of IGOs: There might be other uses of IGOs, which while not ‘misleading the public’, is considered as ‘free riding’ on the reputation of the products. In the sense that the protected denomination is used in translated form, i.e. with additional information to convey the true origin of the product, e.g. ‘Californian Chablis’ (Dutfield, 2000 for a discussion). This ‘free riding’ is considered as against the ethics of honest commercial activity and is accepted as diluting the reputation of the product. Under the Paris Convention, such practices are protected against by the principle of unfair competition (Article 10*bis*). The Lisbon Agreement, in comparison to either the Paris Convention or the Madrid Agreement, makes stronger provisions for the implementation of this doctrine in Article 3, viz.

*Protection shall be ensured against the usurpation or imitation, even if the true origin of the product is indicated or if the appellation is used in translated form or accompanied by terms such as ‘kind’, ‘type’, ‘make’, ‘imitation’ or the like.*

In the TRIPS Agreement, the above doctrine is provided in two different articles. The provisions of the Paris Convention are to be found in Article 22.2(b). The provisions of the Lisbon Agreement are found in Article 23. While Article 3 of the Lisbon Agreement is not circumscribed to any specific group of products, Article 23 of the TRIPS Agreement explicitly applies to only wines and spirits. This difference may be a rare moment in the history of international protection of intellectual property where the scope of application of a succeeding multilateral agreement is narrower than its predecessor.

### **2.3 IGOs and Protection of Indigenous Knowledge**

Attention had been devoted to IGOs as a potentially useful instrument of IPRs (in contrast to patents, utility models and petty patents) that sits reasonably well with the ethos of indigenous communities (e.g. Dutfield, 2000, Downes and Laird, 1999; Bérard and Marchenay, 1996; Moran, 1993). Part of the attention on IGOs can be traced to the experience with protection under the Madrid and Lisbon Agreements. Research on the distribution of Lisbon Agreement indications across product categories

<sup>16</sup> It is often suggested that in certain countries, such as southern European countries, there is a strong link between IGO and the product; thus, for example, ‘the denomination Beaufort signifies all the elements which are included in the cheese it designates: area of production, breeds of cows and their food, methods of production, etc. and also all the immaterial substance the denomination is endowed with: tradition, landscape, regional identity value, etc.’ (Thévenod-Mottet, 2001).

<sup>17</sup> The Madrid Agreement also has special measures for ‘regional appellations concerning the source of products of the vine’ (Article 4; cf. Baeumer, 1999 for a discussion). Escudero (2001, p10) suggests this is as a possible origin for the differential treatment of products under Section 3 of the TRIPS Agreement.

establishes that 84% of the indications come from four product categories: wines (61.4%), spirits (9.5%), agricultural products (6.7%) and cheese (6.5%) (Escudero, 2001)<sup>18</sup>. These products share a common feature of being 'land-based' and reflecting strong historical and symbolic links between place and product (Tregear et al., 1998; Bérard and Marchenay, 1996; Moran, 1993). Consequently, commentators draw attention to the *potential* of protecting the rights of indigenous communities and enhancing rural development via the protection of GIs. We briefly review these views by focussing on two broad themes

- the potential of IGOs as instruments to enable product differentiation in markets
- features of IGOs that make them amenable as part of a package aimed at protecting the rights and interests of indigenous communities.

As regards the first, we pick on select themes in the literature on the on-going transformations in the agri-food industry (e.g. McMichael, 1994; Friedmann, 1993). The literature recognises that the agri-food industry re-structuring aims at fostering increased global trade by de-localising food products and achieving product homogenisation. A range of developments involving packaging and preservation, processing and distribution, production and marketing, have fundamentally weakened the product's territorial and land-based associations embedded in the consumer's mind. The movement of products from their territory of origin and their production/processing in other locales suggests that in certain instances technical aspects of production/processing can override features of the product that are intrinsically linked to its area of origin (Moran, 1993). Yet, countering this drive towards delocalised production and homogenised products are efforts at emphasising the origin and authenticity of agri-food products (Tregear et al., 1998). By emphasising the intertwined relationship between place and product and between geography and culture, communities producing regionally distinctive goods can develop a niche in the market – at least, amongst those consumers who exhibit a preference for authentic and distinctive products. There are obvious limits to the size of these niche markets: in the 1990s, locally produced foodstuffs accounted for 10.6% of the total foodstuffs market in France, 10.7% in Italy, 6.7% in Spain and 5.2% in Portugal (Bérard and Marchenay, 1996). It is also important to recognise that the market potential for this niche is contingent on the consumer recognising and valuing the product-place link (Tregear et al., 1998). The growth of market segments like 'organic' and 'fair trade' are positive evidence that select consumers recognise and value the product-place association in foodstuffs. However, success in exploiting the niche is contingent on an effective marketing effort to guide and develop consumer perceptions (Berizzi, 1997). Tregear et al. (1998, p392) succinctly state this point,

... consumer perceptions of regionality are tied closely to perceived authenticity. More specifically, official designation of a food as regional may not be sufficient to convey authentic regionality to consumers: consumers also appear to infer regionality from, for example, a product's physical attributes, place of purchase or consumption and communicated heritage. Marketing techniques are critical therefore in conveying authenticity and enhancing the attractiveness of regional foods. The success of policy measures such as EU 2081/92 or regional food promotion schemes may therefore hinge upon careful consideration and implementation of wider marketing techniques for regional foods.

This brings up the second theme, the relationship between IGOs as an instrument of intellectual property protection and the rights and interests of indigenous communities. Even while indigenous communities may hold concepts similar to 'property rights', the 'informal innovation system' of communities and the cultural exchange systems that are part of the communities raise deeper conflicts between the norms and economics of IPRs and the rights of indigenous communities (Dutfield, 2000; Downes and Laird, 1999). IGOs as an instrument of intellectual property protection have peculiar features, which in contrast to other IPRs, are considered relatively more amenable to the customary practices of indigenous communities:

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<sup>18</sup> Escudero (2001) also finds a country-level 'specialisation' within each product category: France accounts for 81% of wine indications, Cuba accounts for 100% of tobacco and cigarette indications, Czech Republic holds 82% of the mineral water indications.



- Knowledge remains in the public domain: No institution (firm or individual) exercises exclusive monopoly control over the knowledge/information embedded in the protected indication (or the good), which remains in the public domain. As such, fears of the commodification of traditional knowledge on account of GIs are not entirely valid. However, as the knowledge embedded in the good is not protected, apprehensions concerning the misappropriation of traditional knowledge remain (see Dutfield, 2000, p70).
- Rights are (potentially) held in perpetuity: The particular indication is protected as long as the distinctive good-place link is maintained and the indication is not rendered generic.
- The scope of protection is relatively circumscribed: The ‘holders’ of a GI do not have the right to assign the indication, which is provided to holders of trademarks (Article 20, TRIPS Agreement) and patents (Article 28[2], TRIPS Agreement). Closely following this, the good-place link underlying GI-protection automatically prohibits the transfer of the indication to non-locale producers and the use of the indication on ‘similar’ goods originating from outside the designated geographical area<sup>19</sup>. In effect, the result of protection is to limit the class and/or location of people who may use the protected indication.

In addition to the above, IGOs are considered to be free of the many adverse socio-economic results of corporate control and accumulation of IPRs rights (Downes and Laird, 1999). While it is true that any one community or association cannot acquire control over a number of indications in a style akin to strategic use of patents, evidence of country-level concentration in the distribution of indications by product category (cf. fn 18) remain disconcerting. Finally, it is important to recognise that protection of IGOs does not in any way protect the knowledge embodied within the good and/or the associated production process (cf. Dutfield, 2000). Consequently, neither is protection of GIs a guarantee against the misappropriation of traditional knowledge nor are other strategies to protect traditional knowledge precluded by the use of GIs.

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<sup>19</sup> An exception to this principle exists in terms of the licensing of the indication *Bleu de Bresse* to cheese producers in other countries (Moran, 1993). However, this evidence appears to be mistaken: according to French authorities the indication is not protected nor registered under the relevant legislation ([www.francefromage.com](http://www.francefromage.com); accessed 24 May, 2002).

### 3. The TRIPS Agreement and Contemporary Application of GIs

Part II Section 3 of the TRIPS Agreement provides for GIs, which can be analytically separated into five headings:

- Definition of the subject matter to be protected (Article 22.1)
- *Basic* or *Minimum* standards of protection to be provided (Article 22.2-22.4)
- Additional protection for wines and spirits (Article 23)<sup>20</sup>
- Exceptions to the obligations (Articles 24.3-24.9), and
- Provisions for further negotiations (Articles 24.1, 24.2)

#### 3.1 Definition of Subject Matter

At the outset it is useful to recognise that Part II Section 3 does not discriminate between either agricultural or industrial goods, nor do the provisions discriminate between manufactured and handicraft goods. To be clear, the only distinction with respect to application of Section 3 exists in the form of additional protection for wines and spirits through Article 23. This is an accepted interpretation of the TRIPS Agreement (cf. WIPO Symposiums, 1999, 2000). As noted elsewhere in the paper, Section 3 is unique in having a single subject matter definition (Article 22.1) followed by differential levels of protection based on product categories (section 4). Finally, the definition in Article 22.1 clearly circumscribes the scope of application to ‘goods’, which denies the possible inclusion of services in Section 3 (cf. box 5).

Three elements to the definition of GIs in Article 22.1 are identifiable, which constitute the conditions for the grant of protection<sup>21</sup>. First, the indication must necessarily identify a good. The indication can take the form of a word/phrase or be an iconic symbol or emblem. There is no requirement for the indication to be a direct geographical name. Second, the good must necessarily possess ‘given quality’, a ‘reputation’ or ‘other characteristics’ that are ‘essentially attributable’ to the designated geographical area of origin.<sup>22</sup> What is important here is that, *ceterius paribus*, each one of these qualifiers is on its own an adequate condition for the grant of protection. Finally, it is necessary for the designated geographical area to be identified in some manner through the indication-good link. This would require a level of homogeneity (across goods and manufacturing units) in the distinguishing features (quality etc.) of the good to be established across the designated geographical area.

#### Box 5: Can services be included under a GI law?

<sup>20</sup> Some, quite rightly, emphasise the differences between the protection granted to wines and that granted to spirits (Escudero, 2001).

<sup>21</sup> Here, note the analogy with patents (cf. Article 27[1]), where the definition sets out the conditions for grant of protection, viz. new, inventive step and industrial application.

<sup>22</sup> The TRIPS Agreement does not define any of these terms.

The possibility of including services within the ambit of Part II Section 3 raises a series of questions. For example, does the term 'good' include or imply services? Can the references to 'services' in Articles 24.4 and 24.6 allow an interpretation that the definition in Article 22.1 encompasses services. Finally, can services fit into model of GIs that has traditionally been dedicated to goods?

A close look at proposals for the TRIPS Agreement during the Uruguay Round finds that the preferred term in this Section was 'product' (cf. EC proposal (MTN.GNG.NG11/W/68 of 29 March 1990), Article 19; Argentina et al.'s proposal (MTN.NGN.NG11/W/71 of 14 May 1990), Article 9). The Unified Proposal of 23 July 1990 (MTN.NGN.NG11/W/76) placed 'services' within brackets. It is in the Brussels draft (MTN.TNC/35/Rev.1 of 3 December 1990) that the term 'good' replaces 'product' with the simultaneous removal of the bracketed term services. Hence, we infer that if services were to be included within the ambit of Section 3, the drafters would have clearly stated the same – particularly given the intense debate. Moreover, it is rare to find legal commentary that understands Article 22.1 to include services. Here the conclusive dismissal by Gervais (1998, p125, emphasis in original) is telling: 'Finally, Article 22 does not apply to *services*'.

One should not read too much into the references to services in Articles 24.4 and 24.6. The former is a safeguard to allow the use of an indication with respect to goods and services – pending the outcome of negotiations – that have been in continuous use either (a) for 10 years preceding the signing of the Marrakech Agreement or (b) in good faith preceding that date. The reference to services is understood to refer to practices of advertising a service/good by using a reputable indication, such as the 'champagne of catering services'. Article 24.6 is an exception aimed at allowing the continued use of indications protected in a third country in situations where the indication is considered customary in the common language as common name for certain goods or services. The exemption is understood to also allow members to exclude from protection those indications that are domestically considered generic. It is difficult to interpret the use of the term services in Articles 24.4 and 24.6 as allowing the inclusion of services within the scope of the definition in Article 22.1.

Finally, the inclusion of services within the ambit of Article 22.1 raises a number of wider questions. No doubt, there are a range of services which on prima facie evidence fulfil the fundamental definitional requirements of a GI, such as health services, spas and traditional healing methods. Some countries already protect services as GIs, viz. Liechtenstein, Peru and Switzerland (IP/C/W/253). However, to be included as a GI, a service will necessarily have to meet the conditions for protection, which require a clear link between place of origin and the service. Here consider the possibility of the service being dispensed in another location or for that matter the telecommunication interface between service provider and purchaser. Moreover, if the distinctiveness of a service is on the basis of location-specific skills, would the possibility of training personnel undermine the fundamental rationale of GIs?

To conclude, we find that the inclusion of services was decidedly not the intention of the drafters of the TRIPS Agreement. Moreover, the possibility of including services within the ambit of Article 22.1 remains problematic.

NB: Uruguay Round negotiating documents concerning the TRIPS Agreement were accessed from Gervais (1998).

Naturally, questions arise as to how the definition is translated into regulation and practice. It has been noted that, in comparison to other TRIPS-obligations, GI-implementation has occurred in the most diverse and uncoordinated manner (Watal, 2001, p264). This lack of harmony undermines the Agreement's general objective of establishing a predictable multilateral system of rules and disciplines protecting IPRs and the desire to promote effective and adequate protection (cf. Preamble to the TRIPS Agreement).<sup>23</sup> The only comprehensive information on the implementation of the obligation concerning GIs exists in the WTO Secretariat's (2001) review under Article 24.2 (IP/C/W/253). This

<sup>23</sup> Venezuela explicitly raised this point with reference to the impasse on the debate concerning a multilateral system of registration of GIs for wines and spirits (WT/GC/W/282).

review covered 37 countries – most of which are developed countries and a few being economies in transition. We draw attention to the manner in which the three elements of the definition of subject matter, i.e. the conditions for protection are applied.

First, there is no unanimity with respect to the legal definition of GIs across different national legislation. Some provide a TRIPS-like definition, at times limited to a circumscribed list of products<sup>24</sup>. Others have adopted the more restricted definition of the Lisbon Agreement, thus necessarily requiring the denomination to be a direct geographical name.<sup>25</sup> Notable in the review is the evidence that protected denominations are quite diverse and include indications that are not ‘direct geographical names’ (cf. Annex A, IP/C/W/253).

Second, ‘product characteristics’ requirements for protection exist in most legislation but vary considerably. The TRIPS Agreement identifies three dimensions to this requirement – given quality, reputation, or other characteristic. The review finds the use of a wide diversity of qualifiers are used with respect to ‘given quality’: ‘established quality’, ‘particular quality’, ‘given quality’. Interestingly, ‘reputation’, with a variety of qualifiers, tends to be used by those countries that follow the TRIPS definition. In some instances there are examples of special requirements concerning production methods and product specifications to ensure eligibility.<sup>26</sup> The review also identifies instances where protection is made available on the simple requirement of the indication identifying the good as coming from a particular area.<sup>27</sup>

Finally, measures to ensure the link between the good and its designated area of origin are implemented differently. The review finds that geographical areas of origin range from existing political and administrative units to *sui generis* units (e.g. specified wine growing area, restricted viticulture zone<sup>28</sup>). Measures to link the good and its geographical area of origin are diverse, and include explicit requirements for all stages of production (raw material, processing and preparation) to occur in the designated area<sup>29</sup>, or for raw material to originate in the designated geographical area<sup>30</sup>, or that particular stages of production occur in the designated geographical area<sup>31</sup>.

In addition, the review also notes that some countries provide for GIs through laws on business practices and trademark law, whereas others have implemented *sui generis* legislation. The brief discussion of the WTO Secretariat’s review of the application of GI law demonstrates that a variety of implementation models exist. It is also useful to note that, in some countries, the system has specific regulations for each product category.

### 3.2 Minimum Standards of Protection

<sup>24</sup> For example, Hungary provides the TRIPS definition for products other than agricultural products and foodstuffs. Similarly, the EC and its member states follow Article 22.1 in respect of agricultural products and foodstuffs with the additional requirement that either production and/or processing and/or preparation take place in the defined geographical area (2081/92).

<sup>25</sup> These countries include Belgium, Bulgaria, Italy, Mexico and Portugal.

<sup>26</sup> Examples include requirements such as the use of particular varieties, or a minimum alcoholic strength, or the level of natural sugar content. Regulations also exist in terms of permitted cultivation methods. An obvious example is the EC Regulation No. 2081/92.

<sup>27</sup> This is apparently the case for Australia in respect of wines and New Zealand.

<sup>28</sup> This appears to be the case with the GI definition for wines or grape products under the Australian Wine and Brandy Corporation Act.

<sup>29</sup> The EC Regulation No. 2081/92 is notable here.

<sup>30</sup> This requirement features in the following countries Australia (grapes), Canada (wines), EC (table wines), and Switzerland (wines).

<sup>31</sup> In the US for wines, to qualify for protection, 75% of wine must be derived from fruit grown in the designated area. In some US states the requirement is higher, such as in Oregon where it is 100%.

Article 22 provides the basic framework for the protection of all GIs, where the obligation is for members to provide the ‘legal means for interested parties’<sup>32</sup> to secure protection of their GIs. The required ‘legal means’ are unspecified and consequently raise the problem of multiplicity of systems of protection, but also present an opportunity to members to explore alternative mechanisms.<sup>33</sup> To be clear, the obligation under Section 3, much like other obligations under the TRIPS Agreement, identifies the minimum standards for protection and through Article 1.1, members are ‘free to determine the appropriate method of implementing the provisions of this Agreement within their own legal system and practice’. members are free to select an appropriate (and TRIPS-compliant) GI-system that meets their preferred levels of administrative burden and/or costs (cf. Section 3.1).

Under Article 22 (box 6), the scope of protection is composed of three components<sup>34</sup>:

- protection against the use of indications that mislead the public or is deceptive
- protection against the use of indications in a manner that are acts of unfair competition
- refusal or invalidation of trademarks that contain or consist of indications, where there it may mislead the public

**Box 6: The minimum scope of protection for GIs (Article 22)**

2. In respect of geographical indications, Members shall provide the legal means for interested parties to prevent:

- (a) the use of any means in the designation or presentation of a good that indicates or suggests that the good in question originates in a geographical area other than the true place of the origin in a manner which misleads the public as to the geographical origin of the good;
- (b) any use which constitutes an act of unfair competition within the meaning of Article 10bis of the Paris Convention (1967).

3. A Member shall, *ex officio* if its legislation so permits or at the request of an interested party, refuses or invalidate the registration of a trademark which contains or consists of a geographical indication with respect to goods not originating in the territory indicated, if use of the indication in the trademark for such goods in the Member is of such a nature as to mislead the public as to the true place of origin.

4. The protection under paragraphs 1, 2 and 3 shall be applicable against a geographical indication which, although literally true as to the territory, region or locality in which the goods originate, falsely represents to the public that the goods originate in another territory.

The protection against the use of indications that mislead or deceive the public relate to provisions that exist in the Paris Convention and the Madrid Agreement (cf. section 2.2). In essence, the scope prohibits the use of indications (words, phrases, symbols and images) that will mislead/deceive the public about the good’s geographical origin. Thus, the use of iconic symbols like the pyramids or the Taj Mahal to infer the good’s association with Egypt and India respectively or the use of a language or

<sup>32</sup> Article 10(2) of the Paris Convention defines ‘interested party’ as ‘any producer, manufacturer, or merchant, whether a natural person or a legal entity engaged in the production or manufacture of or trade in such goods’. The absence of the government and the implied inclusion of associations and/or co-operatives is notable (cf. Conrad, 1996, quoted in Gervais, 1998).

<sup>33</sup> See the WTO Secretariat’s review of GI legislation for an overview of different mechanisms for implementing GIs (IP/C/W/253). WIPO’s symposia on GIs also provide useful material on GI legislation in various countries.

<sup>34</sup> The scope of protection under Article 22 is normally characterised as consisting of two components, viz. the first two bullet points (see also section 2.2). However, provisions for negotiating the relationship between trademarks and GIs (Article 22.3) have important consequences in determining the economic value of a GI, hence its inclusion within the discussion on ‘scope of protection’.

script to impute erroneous geographical origin is prohibited. The focus of this element of the scope of protection is strictly contingent on the use of an indication that either misleads the public or is considered deceptive. Consequently, in comparison to trademarks where protection is granted against 'confusingly similar' marks, the scope is considered limited (Harte-Bavendamm, 2000, p64). The right under Article 22 is also a negative right in that its scope is limited to prohibition of the use of the indication by others rather than empowered with a right to authorise use of the protected indication or to license the indication to others (Gervais, 1998). This contrasts with the 'right to authorise use' available for trademarks (Article 20) and patents (Article 28[2]). However, the lacunae is better appreciated as a distinctive feature of GIs, making it better suited to protect traditional knowledge (cf. section 2.3). Finally, under Article 22 a GI holder has to bear the burden of proof in demonstrating that the public has been either misled or deceived. This contrasts with the scope of protection under Article 23.1 for wines and spirits, where the burden of proof under Article 23 requires a demonstration that the good on which the disputed GI exists does not originate in the geographical area identified by the indication. Moreover, under Article 23 the indication cannot be used in a translated form even where the true geographic origin of the good is indicated. By way of illustration, it is possible under Article 22 to label a pack of bananas as 'Antarctica bananas' as it would not be considered as misleading the public, whereas 'Antarctica Merlot' is strictly prohibited under Article 23, even though it is not considered misleading. These differences in the scope of protection between wines and spirits on the one hand and all other products on the other forms are the basis for demanding GI-extension (cf. section 4). Ironically, Article 23.1 is derived from Article 3 of the Lisbon Agreement that applied to all product categories (cf. section 2.2). This raises speculation on the nature of negotiating politics that resulted in the succeeding multilateral agreement being circumscribed in its scope of application.

The second element of the scope of protection – protection against the use of indications in a manner that are acts of unfair competition as defined in the Paris Convention (box 7) – is considered an important achievement (see Conrad, 1996, quoted in Watal, 2001). For some time certain members of the Paris Convention attempted to revise Article 10 so as to ensure the inclusion of IGOs, which till then required the indication to be used with a fictitious name or fraudulent intent. At the 1958 Lisbon conference, the introduction of the word 'origin' in Article 10*bis* (3) was rejected by one vote, that of the US, thus diminishing the application of the Article to IGOs (Conrad, *op cit*). Blakeney (2001) reviews key legal decisions where relevant principles of 'passing off' and 'unfair competition' have been applied. Scotch Whisky and Champagne producer associations have made effective use of the courts in the UK. It is said that the Scotch Whisky Association employs at least four full-time lawyers who at any one time pursue over 50 legal actions world-wide (Freedman, 1994). In this respect, it is interesting to see that WIPO's International Bureau has drawn attention to the resource disbursement warranted in utilising these provisions:

In order to be successful in such an action, the plaintiff must show that the use of a given geographical indication by an unauthorised party is misleading and, as the case may be, that damages or a likelihood of damages results from such use. An action against the unauthorised use of a geographical indication based on unfair competition can only be successful if the geographical indication in question has acquired distinctiveness or, in other words, if the relevant public associates goods sold under that geographical indication with a distinct geographical origin and/or certain qualities. Since law suits based on passing off or unfair competition are only effective between the parties of the proceedings, *the distinctiveness of a given geographical indication must be shown every time that geographical indication is enforced.* (WIPO – International Bureau, 2000, paragraph 44, emphasis added).

The International Bureau's treatment of the subject does not make clear whether the problem identified is unique to the application of these legal principles to GIs or whether this is a generic problem concerning principles of unfair competition. In the absence of detailed research, we speculate that some trademark holders might find it easier to police their marks in the international economy because of their global presence and resource endowment. This is the case with producer associations of financially lucrative GIs, e.g. Scotch Whisky and Champagne. Prima facie, it is difficult to imagine

that an association of indigenous communities would be similarly endowed in terms of legal experience or expandable resources. Moreover, the need to repeatedly establish the same principle in every jurisdiction that a potential violation is identified and the demand to demonstrate the public's association with the indication are clearly demanding.<sup>35</sup> Consequently, one might be motivated to agree with the view expressed in the quote above.

#### **Box 7: Unfair competition under the Paris Convention**

Pursuant to Article 10*bis* of the Paris Convention, unfair competition means 'any act of competition contrary to honest practices in industrial or commercial matters', which includes the following:

*(1) All acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial and commercial activities, of a competitor;*

*(2) False allegations in the country of trade of such a nature as to discredit the establishment, the goods, or the industrial and commercial activities, of a competitor;*

*(3) Indications or allegations the use of which in course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quality of the goods.*

The third and final component of the scope of protection under Article 22 concerns the relationship between GIs and trademarks (Article 22.3, see box 6) and stems from initial proposals made by the EC, Switzerland and Australia (Gervais, 1998, p127). The provision obliges a member to refuse or invalidate the registration of a trademark which contains or consists of a GI, when the goods do not originate in the territory indicated and the use of the indication in the trademark misleads the public. This Article should be compared with Article 23.2 where the requirement for the public being misled is absent. Doubtless, this strengthens the scope of protection for GIs for wines and spirits.

The interface between GIs and trademarks is complex. As a general rule, trademarks must be distinctive so as to fulfil the role of distinguishing goods/services of one manufacturer from those of another. This leads to the general proposition that GIs are excluded from the domain of trademarks (Blakeney, 2001). Yet, there are many conceivable and real instances where a trademark consists of or contains a GI. For example, the use of Antarctica as a trademark for bananas is considered permissible as there is no deceptive element in terms of implying geographical origin (WIPO – International Bureau, 2001, paragraph 103). Moreover, trademarks can consist of GIs in other circumstances, such as when the trademark is considered distinctive and the use of a GI is accepted as entirely fanciful (Harte Bavendamm, 2000; Blakeney, 2001). Examples include 'Mont blanc' for high quality writing equipment and 'Thames' for stationery. It could also be the case that the reputation of a trader endows the GI with secondary significance leading to an identification of the trader (Harte Bavendamm, 2000; Blakeney, 2001). In such instances, a trademark can consist of a GI and examples of this situation include 'Oxford University Press', "Schwartauer" for high quality jams, etc. manufactured in North German town of Bad Schwartau. The overlap between the two domains of IPRs is real and imminent. The disciplines in the TRIPS Agreement provide, at best a 'delicately balanced solution' (WIPO – International Bureau, 2000), or at worst an unclear and yet to be negotiated relationship (cf. box 8).

<sup>35</sup> It is not suggested that the independence of national legal deliberations be jeopardised.

**Box 8: Unanswered questions on the relationship between trademarks and GIs**

The overlap between trademarks and GIs can be encapsulated in the following questions,

- In what circumstances will a GI take precedence over a trademark, and vice versa?
- Can there be instances where trademarks and GIs overlap and coexist?

Answering these questions requires a reading and interpretation of various articles in the TRIPS Agreement, viz.,

- Article 22.3 where the basic relationship between GIs and trademarks is expressed and Article 23.2 where the trademark-GI interface with respect to wines and spirits is enunciated.
- Article 24.5, where the exception to the previous articles is expressed.
- Articles 16 and 17 where the scope of protection available to a trademark-holder and relevant exceptions are respectively enunciated.
- Article 2.1 which brings specific provisions of the Paris Convention to bear on the TRIPS Agreement.

At the outset it is useful to remain aware that the exceptions to protection of GIs under Article 24.5 might be exclusively applicable to wines and spirits. For example, Gervais (1998, p135-6), provides an interpretation to this effect, while also speculating that a reference to ‘Section’ in the Article could lead to the conclusion that it applies to Articles 22 and 23. This ambiguity aside, existing legal opinion on the exception varies. Some suggest that trademarks should rein supreme over GIs, whereas others conclude that a case for invalidating trademarks by latter-occurring GIs is conceivable.

In principle, Article 24.5 allows for trademarks that are ‘identical with, or similar to’ GIs to exist if they have been acquired in *good faith*, either (a) before the application of these provisions by that Member, or (b) before the GI is protected in the country of origin. One suggested interpretation of this exception is that prior trademarks can continue to exist and may also provide the grounds to invalidate GIs (Grevers, 1999; Harte-Bavendamm, 2000). These authors indicate reason that the ‘right to use’ a trademark – clearly stated in Article 24.5 – conjoined with the scope of protection of trademarks (Article 16.1), provides the trademark owner the ‘right to exclude’ the latter-granted GI. Moreover, they suggest that Articles 1-12 of the Paris Convention, which embody the principle of ‘first in time, first in right’ priority as the basis for resolving conflicts between IPRs, lays the foundation for the primacy of trademarks over later GIs. Within this view the only exception is when the trademark misleads the public.

No doubt, there are other opinions on this relationship and the lack of clarity within the Agreement itself is the wellspring of divergent views. Grevers (1999) identifies scenarios of the coexistence of trademarks and GIs ‘without limitation in time and without any other limitation’ (p156) and suggests that exceptions to trademark protection (Article 17), where ‘fair use of descriptive terms’ is a stated, might be the legal basis for coexistence.

The relationship between trademarks and GIs is complex and the balance attempted by negotiators is tenuous and open to varied interpretations. WIPO’s Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications has visited this issue on a number of occasions (cf. WIPO – International Bureau, 2000).



## 4. GI-Extension: Analysing the TRIPS Council Debate

Despite strongly opposing views on GI-extension, there appears – at least on paper – common appreciation of the increased economic and political value of GIs. For example, an early submission by Bulgaria et al. (in support of the GI-extension) acknowledged the ‘considerable potential for commercial use ... [as having stimulated] awareness of the need for more efficient protection of geographical indications’ (IP/C/W/204, paragraph 2). Not too different are the views expressed by New Zealand in its TRIPS Council submission (IP/C/W/205, paragraph 2). Australia, a country opposing GI-extension, provides an articulate statement recognising the commercial value of ‘distinctive signs’ (IP/C/W/211, page 2):

... tea is more valuable than undifferentiated bulk tea in the market-place if it is sold as Darjeeling tea, more valuable still if it bears the distinctive certification mark ‘Darjeeling – The Tea Board’s Seal of Approval’, and potentially yet more valuable again if it bears a distinctive trademark and is packed in distinctive packaging. [...]

Despite this shared perception, views on either the merits of GI-extension or on the appropriate balance between the scope of protection and exceptions remain deeply divided.

Here we assess the TRIPS debate on GI-extension using the submissions of different members and groups of members as the datum to study (box 9). The various points and counter-points concerning the pros and cons of GI-extension can be analytically separated into three themes: (i) the ‘negotiating balance’ achieved at the time of the Uruguay Round, (ii) insufficiencies of the scope of protection available under Article 22 (particularly in contrast to Article 23), and (iii) the potential impact of GI-extension on trade, consumers and TRIPS obligations. Each of these is separately addressed below.

### Box 9: TRIPS submissions on GI-extension

IP/C/W/204	Bulgaria, the Czech Republic, Egypt, Iceland, India, Kenya, Liechtenstein, Pakistan, Slovenia, Sri Lanka, Switzerland and Turkey
IP/C/W/204/Rev.1	Bulgaria, the Czech Republic, Egypt, Iceland, India, Kenya, Liechtenstein, Pakistan, Slovenia, Sri Lanka, Switzerland, and Turkey
IP/C/W/205	New Zealand
IP/C/W/211	Australia
IP/C/W/247	Bulgaria, Cuba, the Czech Republic, Egypt, Iceland, India, Liechtenstein, Mauritius, Nigeria, Sri Lanka, Switzerland, Turkey and Venezuela
IP/C/W/247/Rev.1	Bulgaria, Cuba, the Czech Republic, Egypt, Iceland, India, Jamaica, Kenya, Liechtenstein, Mauritius, Nigeria, Pakistan, Slovenia, Sri Lanka, Switzerland, Turkey and Venezuela
IP/C/W/289	Argentina, Australia, Canada, Chile, Guatemala, New Zealand, Paraguay, United States of America
IP/C/W/308	Bulgaria, Cuba, the Czech Republic, Georgia, Hungary, Iceland, India, Kenya, the Kyrgyz Republic, Liechtenstein, Moldova, Nigeria, Pakistan, Slovenia, Sri Lanka, Switzerland and Turkey
IP/C/W/308/Rev.1	Bangladesh, Bulgaria, Cuba, the Czech Republic, Georgia, Hungary, India, Jamaica, Kenya, the Kyrgyz Republic, Liechtenstein, Moldova, Nigeria, Pakistan, Slovenia, Sri Lanka, Switzerland, Turkey

NB: References to these documents in the text are through their respective document codes.

#### 4.1 The Uruguay Round Balance: Immutable or Renegotiable?

Irrespective of a member's views on the merits or otherwise of GI-extension, there is a shared view that the structure of Section 3 – in particular the provisions for additional protection for GIs of wines and spirits (Article 23) – is a result of the specific balance negotiated during the Uruguay Round (e.g. IP/C/W/204, paragraph 6; IP/C/W/205, paragraph 19). This balance appears to be a last-minute trade-off negotiated during the 1990 Brussels Ministerial (IP/C/W/204, paragraph 6). The view is articulated in the following quote,

This compromise [i.e. Article 23], sought by several wine-producing countries, particularly the EC, represented a significant concession by a number of Members, among them other wine-producing Membuyers, that did not see the need to create an imbalance in GI protection by conferring increased protection on wine and spirit GIs (IP/C/W/289, paragraph 9).

The above narrative is rarely disputed (see Gervais, 1998 for a discussion).

On the issue of 'negotiated balance', the debate at TRIPS raises two interrelated questions: (a) is there any justification for maintaining the imbalance in Part II Section 3 of the TRIPS Agreement? and (b) is there a juridical basis for negotiating GI-extension?

- **Is there any justification for maintaining the imbalance in Section 3 of the TRIPS Agreement?**

It is no surprise that members demanding GI-extension find no justification for the continued existence of the two levels of protection under Section 3 (IP/C/W/204, paragraph 7). Moreover, these members note that unlike any other provisions for IPRs within TRIPS, Section 3 provides for a singular definition of the protected subject matter (Article 22.1), but has two different levels of protection based on product categories (IP/C/W/247/Rev.1, paragraphs 3, 15, 16). This discrimination between product categories is not based on any intrinsic characterisation of the goods or the locality of or skills associated with the product's production. It is with this understanding – and points to be discussed below – that these submissions make a case for GI-extension.

In contrast, members opposing GI-extension do not directly address this question. However, it is fair to note that these members prefer 'that this imbalance should not be accentuated by extension of scope to all products' (IP/C/W/289, paragraph 9-13). No doubt, this position is related to issues concerning changes in the rights/obligation distribution and the potential costs associated with any new negotiated balance.

- **Is there a juridical basis for negotiating GI-extension?**

In terms of the built-in agenda within the TRIPS Agreement, Section 3 has three items: Articles 23.4, 24.1 and 24.2. This may be indicative of the level of disagreement on the subject and the extent of issues left outstanding: 'The only possible outcome not blocking the negotiations was thus to agree to further talks' (Gervais, 1998, p137). For those members seeking GI-extension, the question of expanding the product coverage of Article 23 was one such issue left outstanding for future negotiations (cf. IP/C/W/204/Rev.1, paragraph 3):

Eventually, Section 3 of Part II of the TRIPS Agreement was agreed upon as a compromise in the Uruguay Round. However, a specific provision was included in Article 24 which envisioned further negotiations on increasing the protection of geographical indications.

While there is no explicit article to this effect, these members propose a particular interpretation of Article 24.1, read along with Article 24.2. Here it is reasoned that 'provisions of Article 24.1 are of

general application to all products and the reference to Article 23 does not relate to products contained therein but to a means of additional protection to be provided' (IP/C/W/204, paragraph 12). Further, it is explained that a 'narrow' reading of Article 24.1 as focussed on wines and spirits would further aggravate the imbalances within Section 3. A final component of this reading of Article 24.1 draws in Article 24.2 (IP/C/W/204, paragraphs 13-16). Article 24.2 mandates the Council to review Section 3 on GIs with a view towards furthering its objectives. With respect to the mandated review, the TRIPS Council reported to the 1996 Ministerial that inputs from delegations on the issue of scope were permitted (cf. IP/C/8, paragraph 34). Those canvassing for GI-extension have taken this inclusion of 'scope' as a 'green signal'.

In contrast, members opposing GI-extension read Article 24.1 as explicitly focussed on 'individual indications for wines and spirits' (e.g. IP/C/W/205, paragraph 22; IP/C/M/29). It is explained that Article 24.1 is aimed at those indications for wines and spirits that might be subject to exceptions available in Article 24 (op. cit.)<sup>36</sup>. Consequently, the view that any effort to seek expansion of the product coverage of Article 23.1 is an attempt to re-open the TRIPS Agreement for which 'there is no mandate in any of the existing TRIPS provisions that could serve as a legal basis' (IP/C/W/289, paragraph 3). This interpretation of Article 24.1 has wider currency. Gervais (1998), reviewing the negotiating drafts and the stumbling blocks concerning TRIPS, notes that many of the outstanding issues dealt primarily with the protection of GIs for wines and spirits. Further, he concludes that Article 24.1 is closely linked to the EC's aim to establish a multilateral register for wines and spirits.

To sum up, the juridical foundation for seeking GI-extension in terms of Article 24.1 is suspect. Here, the reading of Article 24.2 is promising but requires more analysis. However, the issue remains alive and hotly contested with its inclusion as an implementation issue. Finally, there is no rationale for differential levels of protection in Section 3.

#### **4.2 Article 22: Sufficient Protection or Legitimising 'Past Sins'?**

Underlying the debate on GI-extension are deeper issues concerning the transformation of the rural economy and the historical movement of people. Those opposing GI-extension have often highlighted the consequences of GI-extension on the practices of peoples in the New World in the debate. On the other hand, the *demandeurs* emphasise the discrimination of legitimising past-sins for posterity by denying the rights of communities that have developed reputable goods. Interestingly, the submissions at the TRIPS Council do not directly raise these points with the weight that they deserve. Instead, attention has been mainly focussed on comparing Articles 22 and 23.

- **Does Article 22 provide 'effective' protection?**

As far as those opposing GI-extension, the existence of legal means to register and enforce GIs, such as through certification marks is good evidence of the effectiveness of Article 22 (IP/C/W/289). Registered certification marks in the US include 'Darjeeling' for tea, 'Stilton' for cheese, 'Swiss' for chocolate and 'Roquefort' for cheese; those in Canada include 'Suisse/Swiss' for chocolate, 'Indian spices' for spices, 'Ceylon' for tea, 'Florida' for oranges, and 'Freiburger' for cheese (IP/C/W/289). Further, it also (informally) stated that the lack of evidence of either problems with the level of protection under Article 22 or damages from the same undermines the case of the *demandeurs*. It is fair to say that the *demandeurs* have not provided evidence of the economic loss on account of weaker protection.

<sup>36</sup> An earlier reading of Article 24.1 by Knaak (1996) is consistent with this interpretation (cf. IP/C/W/205, paragraph 23).

Members advocating GI-extension make a contrasting presentation of the ‘effectiveness’ of protection under Article 22. Three broad categories of issues are highlighted: the problem of ‘free-riding’, the risk of rendering GIs as generic terms, and the uncertainty of and undue burden in enforcing GI-protection (cf. IP/C/W/247; IP/C/W/308).

The low standard of protection under Article 22 allows producers from other locales to use a GI and ‘free-ride’ on its reputation without infringement as long as the product’s true origin is stated (IP/C/W/247, paragraphs 10-11). In particular, it is suggested that the requirements for establishing ‘unfair competition’ or that the ‘public has been misled’ provide a low threshold which enables other producers to use a reputable GI and ‘free-ride’. This is aggravated by the limited protection – in contrast to Article 23 – that does not prevent the use of a GI in a translated form, i.e. the indication accompanied by expressions like ‘such as’, ‘type’, ‘kind’ or ‘imitation’. Consequently, the genuine risk of the GIs becoming generic in this manner (IP/C/W/247, paragraph 12). This risk is considered by these members as a ‘key reason’ for demanding GI-extension (IP/C/W/308, paragraph 18).

The exchange of views on the risk of GIs becoming generic makes interesting reading. On the one hand, members opposed to GI-extension contend that the risk is ‘overstated: commercial experience clearly indicates that genuine, internationally recognised 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’ (IP/C/W/289, pp5-6).

In response, members advocating GI-extension state the following (IP/C/W/308/Rev.1, paragraph 18):

... such a line of argument seems to lead to dangerous waters when applied to other fields of intellectual property rights. There is no valid argument why it should be different for geographical indications.

The catalogue of ‘once famous’ GIs that are now considered generic – Arabica coffee, Indiarubber, chinaware, Cheddar cheese, and kiwifruit – makes interesting and worrisome reading. Questions remain as to whether the lack of proper (effective) protection in the first instance rendered these indications generic; or that insufficient ‘policing’ of the reputational quality of the indication allowed for wider use of the indication in translated form led to it becoming generic? At a prima facie level, both motive forces are considered relevant. Yet, economists draw attention to the adverse impact of ‘diluted reputation’ on account of misappropriation of marks (section 2.2).

- **Is Article 23 protection ‘absolute’?**

Even while all members recognise the hierarchical levels of protection within Section 3, those members opposing GI-extension emphasise that Article 23 protection is not absolute as often characterised by the *demandeurs* (IP/C/W/289, p5). These members proceed to identify the following in terms of the limited scope of protection available under Article 23:

- Existing use is preserved through Article 24.4 (in the case of wines and spirits) – a provision that would apply to GIs of other products if they were included within the coverage of Article 23.
- Terms that have already become generic (e.g. Cheddar cheese) would be exempt from protection.
- Other exceptions to Article 23 could either diminish or prohibit the protection of some indications.

These factors, along with the need for an indication to meet the criterion for protection, will limit the potential value of securing GI-extension.

In response, *demandeurs* draw attention to the juridical tests required to demonstrate infringement and the fact that under Article 22 the ‘burden of proof’<sup>37</sup> rests on the right holder (IP/C/W/247, paragraphs 13-14; IP/C/W/308/Rev.1, paragraphs 9-10). It is suggested that Article 22, in comparison to Article 23, allows wide juridical discretion (particularly in terms of the test to demonstrate the public is misled) leading to ‘inconsistent decisions and legal uncertainty [...] [which] undermines and damages the good functioning of international trade in goods having the added value of a geographical indication’ (IP/C/W/247, paragraph 13). In contrast, protection under Article 23 requires the rather simple test of establishing whether the product originates from the place indicated by the GI. Consequently, the suggestion that protection under Article 23 is more effective, easier to access and cheaper to actualise (IP/C/W/308/Rev.1, paragraph 11).

Members opposing GI-extension have not made any formal response to this point. In this respect, we note that when *demandeurs* argue against ‘wide juridical discretion’ they run the risk of usurping Article 1.1. Yet, it is fair to appreciate that the ‘burden of proof’ difference between Articles 23 and 22 has clear economic consequences in terms of the effectiveness of protection and the concomitant risk of rendering an indication generic. Economic analysis of the dynamics of these changes would shed useful insights and move the debate forward.

To sum up, the difference between the scope of protection under Articles 22 and 23 is well appreciated. In this respect, the problems with respect to either burden of proof or the impact of use of a protected indication in translated form are apparent. However, the absence of evidence of trade losses on account of the limited protection available under Article 22 makes proper assessment of these points difficult. In this respect, the EC has raised the question at the TRIPS Council with respect to practice in the US and Canada on designated indications as generic and semi-generic (IP/C/W/37). The debate on GI-extension urgently requires substantive evidence of the damage to trade on account of the differential levels of protection for GIs. The cautionary note of members opposing GI-extension that Article 23 protection is not ‘absolute’ is important. In this respect, securing GI-extension will only provide stronger legal protection for those indications that meet the criterion for protection and are not included within the exceptions to Article 23. Finally, *demandeurs* should be aware that Article 23-like protection is no guarantee that economic returns will occur or that free-riding on reputable indications will end – both of which depend on keen marketing efforts (section 2.2).

### 4.3 The Potential Costs of GI-Extension

Members opposing GI-extension have raised questions concerning the potential costs of GI-extension, which include the administrative burden of extension, the impact on consumers, and trade disruption. These members consider that ‘extension – like any re-balancing of TRIPS rights and obligations – would involve certain costs and shifts in burdens among Members’ (IP/C/W/289, page 6). Apparent here are links to trade-offs in other areas of the WTO Agreements. In the absence of any substantive analysis of the cost/benefit matrix and associated trade-offs, members opposing GI-extension deem the demand ‘premature’ (IP/C/W/205, paragraph 21). Here we consider the three cost categories identified by members opposing GI-extension.

- **The administrative burden of implementing GI-extension**

Implementing and administering new laws entail costs and demand resources. This, it is argued, ‘could involve a considerable burden’ in light of the ‘hundreds of domestic geographical indications’ that some members seek to protect and this ‘may impact proportionately more on developing countries’ (IP/C/W/289, page 7).

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<sup>37</sup> It is useful to note that under Article 34.1 the defendant is expected to bear the burden of proof in civil proceedings concerning process patent infringements.

The point concerning the disproportionate financial burden on developing countries remains unanswered by members seeking GI-extension, many of which are themselves developing countries. On the issue of costs on account of administrative burden, the following three points are made (IP/C/W/308/Rev.1, paragraphs 4-11):

- The nature of the obligation under Article 23, primarily requiring the availability of ‘legal means’ for interested parties to enforce protection for GIs, can be implemented in a number of different ways (section 3.1). Moreover, Article 1.1 enshrines the freedom of members to determine the appropriate method of implementation.
- GI-extension does not entail any new obligation *per se*, but is only a demand for change in the product coverage of Article 23.
- Widening the coverage of products under Article 23 would lower the legal costs associated with enforcing GIs; further the increased ease with which GIs are enforced would result in a reduction of the workload of the relevant authorities.

A number of issues still remain unclear, which neither side of the debate have adequately considered. Priority should be accorded to the claim that the burden of GI-extension will fall disproportionately on developing countries. It is true that the European Community and its member states have the largest number of GIs to protect and that, in comparison, developing countries have only a handful of potential indications. Moreover, many of the GIs that developing countries will be obliged to protect are already deemed generic or semi-generic by some developed countries, e.g. US and Canada (Watal, 2001, p273). As far as implementation costs are concerned, the following points need to be noted (Rangnekar, 2002): (a) expanding the product coverage of Article 23 will entail some static costs; (b) the level and frequency of use of GIs is relatively limited compared to any other IPRs; (c) the burden for enforcing GI-protection falls disproportionately on the right-holder. It is difficult to assess how these different costs and benefits weigh up, particularly since none of the submissions at the TRIPS Council provide quantitative evidence.

- **Costs associated with consumer confusion**

Of relevance here are the doctrines that provide the legal structure for the protection of GIs (cf. section 2.2). The objective is to balance consumer protection against deceptive and/or confusing labelling with efforts to ensure reliable information (IP/C/W/211, page 3). The potential problem is that GI-extension will result in the ‘disappearance of terms customarily used to identify products’ which ‘will increase search and transaction costs for consumers, at least in the short to medium term’ (IP/C/W/289, page 7). The response of members advocating GI-extension is premised on the principle that ‘consumers are entitled to a real choice based on correct, distinctive indications’ (IP/C/W/308/Rev.1, paragraph 14). Prohibition of the use of translations on protected indications will enable consumers to clearly and quickly determine the authentic geographical origin of the product. Moreover, it is reasoned that only those labels will disappear that do not fall within the scope of the exceptions available in Article 24 – thus limiting the potential costs incurred by consumers.

Clearly, there will be some confusion as some labels will vanish or be changed. This, all parties agree, is a short/medium term problem. No doubt, in the end, consumers benefit from the easier identification of the true geographical origin of the product. To an extent, effective marketing strategies by ‘rightful holders’ of GIs will ease the adjustment process (cf. section 2.2). Again, clarifying this issue will benefit from economic analysis.

- **Costs on account of trade and production disruption**

Members opposing GI-extension emphasise the disruption of trade and production in some locations with the possibility of market closure as another adverse consequence of expanding product coverage of Article 23 (IP/C/W/289, pages 7-8; IP/C/W/211). It is fair to note that Australia, a country opposing GI-extension, recognises the importance of distinctive marks for producers (IP/C/W/211). Underlying

this impact is the reality of immigration and colonisation and the concomitant diffusion of cultural practices. This problem – particularly in terms of certain products – cuts across the usual North-South divide and highlights the New-Old World divide.

In response, *demandeurs* do not dismiss these possibilities, but contend that the consequences are limited by the exceptions under Article 24 (IP/C/W/308/Rev.1). Further they reason that GIs, like any other IPRs, are predicated on the objective of preventing misuse, usurpation and ‘free-riding’. Thus, the question – ‘is it legitimate to restrict free-riding?’

Interestingly, members advocating GI-extension have not fully engaged with the issue of potential trade disruption. It is important to recognise that changes in the scope of protection will have the impact of *narrowing* market access for those producers who have been free-riding on reputable indications. This result is similar to that achieved in other areas of IPRs, though with an important difference: producers in locations outside the designated geographical area can still produce and sell the good in question.

## 5. Conclusion

The GI-extension debate at the TRIPS Council has covered a vast area. However, there are many more questions that remain unanswered. Moreover, the debate at the TRIPS Council has failed to engage with substantive evidence and is limited by the absence of adequate empirical evidence. Rather than recapitulate the analysis, the conclusion identifies three themes that urgently require scholarly analysis supported by statistical and economic data.

First, it would be useful to understand how systems providing protection for IGOs have worked. Existing literature on national systems includes the WTO Secretariat paper (IP/C/W253) and papers presented at the relevant WIPO symposia (WIPO, 1999, 2000). These resources contain useful information on the legal and administrative aspects of protecting IGOs. However, there is little information on the economics of GI-protection. Pertinent questions like which product categories account for most of the protected indications and how this distribution across product categories has changed over time remain unclear<sup>38</sup>. An economic and statistical analysis of GI-protection should shed useful insights on the following:

- **What are the common features across product categories that account for their successful use of GI-protection? Equally, what can be learned from instances and examples of failures?**
- **Which group(s) (e.g. growers, processors, distributors, manufacturers and consumers) have benefited from the availability of protection, and how has this distribution across groups changed over time?**
- **How have ‘local’ producers and communities benefited from GI-protection? Closely related are questions concerning the ‘economic value’ of a protected indication: what share of the market (global, national, local) is accounted for by goods that have protected indications and what share of the local economy is dependent on indications being protected?**
- **What are the costs associated with maintaining a system for GI-protection and how has this cost changed over time? These costs should include the direct costs related to the administrative/legal system and the costs (and investments) incurred by holders of protected indications.**

Second, the *demandeurs* need to study the economic value of GI-extension.<sup>39</sup> The debate at the TRIPS Council has noted the potential risk of indications being rendered generic on account of the limited protection available under Article 22. While this is intuitively clear, actual evidence would help establish the point. Further, while existing research agrees that distinctive marks are economically valuable, a range of other factors helps to realise the economic potential of such distinctive marks. Country-level studies would help assess the case for/against GI-extension. Important questions to be addressed include the following:

- **What kind of GI system should the country implement? Which are the national products that should be protected? What strategies should be adopted to ensure their protection in global markets?**
- **A product-level study should be conducted that examines some of the following: What is the market size for the product – noting its local, national and global dimensions? What are the distinguishing product characteristics? How should these characteristics be codified and at what stages along the distribution chain should they be regulated? What product promotion strategies should be adopted and in which markets?**
- **What are the hurdles in actualising the potential available in GI-protection? Here, the analysis should consider issues concerning the distribution chain and how relevant groups might respond to codification of product characteristics? In addition, there might be**

<sup>38</sup> Notable in terms of this lacuna in the literature is Escudero (2001), where statistical data on protected indications under the Lisbon and Madrid Agreements is available.

<sup>39</sup> Some of the questions listed here apply to those members opposing GI-extension.



**external hurdles, such as sanitary and phytosanitary requirements. These are pertinent in assessing the potential economic value of GIs.**

- **What are the burdens and costs associated with protecting indications of other member countries? How will this impact on the national/local economy?**

Third, any substantive economic and statistical analysis of GI-extension cannot be blind to the political reality of multilateral negotiations and the evident tradeoffs that will be struck. Thus, the study should acknowledge and assess the bargain that might be struck to achieve GI-extension. In addition, the specific burden associated with protecting indications of other member countries requires closer assessment.

The above are substantive questions that urgently require attention. Studies that brings in economic and statistical evidence will shed useful insights on the subject and help member countries in their on-going negotiations.

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