The Pros and Cons of Stronger Geographical Indication Protection

By Dwijen Rangnekar

While it is clear that geographical indications (GIs) are on the agenda of the new round of WTO negotiations, Members strongly disagree on the extent of the mandated discussions. In particular, deep divisions exist on the issue of extending to other goods the strong level of protection provided for wines and spirits under Article 23 of the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPs, see page 11). Some countries, developed and developing, emphasise that a clear mandate for negotiations on GI-extension exists. Others, such as Argentina, insist that there is no such agreement, either with respect to conducting negotiations or with respect to what 'appropriate action' might be warranted.[1]

Naturally, questions arise as to the applicability and effectiveness of widening the scope of application of higher-level GI protection. The most important of these is: will GI-extension deliver the economic returns that *demandeurs* consider exist? A detailed study of the pros and cons of GI-extension is urgently required. This article is a brief attempt to address the open questions.

What Are Geographical Indications?

'Geographical indications' (GIs) as an instrument of intellectual property protection are very much an invention of the TRIPs Agreement reflecting the negotiating success of the European Communities. Even while other WTO Members, notably Switzerland and some developing countries, were interested in including GIs within TRIPs, the power-play of deal-making saw the GI text within the 'Dunkel Text' eventually reflect many of the provisions of an EC proposal submitted already in 1990.

The notion of GIs is closely connected to previous WIPO treaty-based instruments of protection, notably 'indications of source' (under the Madrid Agreement) and 'appellations of origin' (under the Lisbon Agreement). The former remains narrowly focused as a border measure seeking to stall the false or deceptive use of indications of a product's country of origin. In contrast, 'appellations of origin' is a concept that connects a geographically-designated place (country, region or locality) that serves as a product's name to aspects of the product's quality. Consequently, 'appellations of origin' are considered to be a mark that requires quality (i.e. product characteristics) to be essentially attributable to the geographical region of origin of the product (i.e. soil, climate, specific human skills). Yet, the Lisbon Agreement remains limited to establishing an international registration system of appellations that are protected in the country of origin. Various shortcomings have been noted at pre-TRIPs discussions at WIPO.[2] For example, it was pointed out that the separation of 'indications of source' and 'appellations of origin' was a false dichotomy and that a narrow focus on denominations that were 'direct geographical names' was biased against other denominations. Consequently, TRIPs Article 22.1 defines geographical indications more broadly as

> *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.*

A careful reading clarifies the broadness of the notion[3]:

- GIs are to be understood as a general concept that point to the 'geographical origin' of a product in a given country, region or locality: in other words, the notion now focuses on 'indications which identify a good'. Denominations that are not 'direct geographical names' (such as Basmati) are also feasible.
- 'Reputation' is an additional element constituting the notion of GI, thus going beyond the Lisbon Agreement's focus on 'quality and characteristics' of a product.

The euphoria and interest of specific Member countries connect to two key features of GIs: the link between GIs and agricultural products and the possibility of protecting products with specific qualities to location-specific skills. These possibilities are considered potentially useful for protecting the knowledge and rights of communities.

Even while the TRIPs Agreement has made important advances in developing the notion of GIs, the scope of application of the notion is circumscribed by the explicit hierarchy of protection:

Basic Protection: All GIs must be protected against use which would *mislead* the public or constitute an act of unfair competition (as defined in the Paris Convention).[4] Members must provide a legal mechanism (undefined in the Agreement) for interested parties to prevent the use of any designation that indicates the origin of a good. Further, the obligation is contingent on the continued existence of GI-protection in the country of origin (Art. 24.9).

Additional Protection for Wines and Spirits: Wines and spirits enjoy three additional elements of protection: (a) the protection is 'absolute' and prohibits the translation of GIs or the attachment of expressions such as 'kind', 'type', 'style' or 'imitation'; (b) obligation to refuse or invalidate the registration of trademarks which constitute or consist of GI (Art. 23.2); and (c) obligation to enter into negotiation to increase protection (Art. 24.1). Two additional (and highly contentious) obligations require the protection of each GI in the case of homonymous indications[5] and the establishment of a multilateral system of notification and registration of GIs for wines.

It is the above hierarchy that is at the heart of the current debate at TRIPs. Although many developing countries see themselves as having (yet again) 'missed the boat', the GI debate cuts across the traditional North-South divide on IPRs and is equally reflective of a divide between the 'new' and the 'old' worlds. It is the complicated divisions on the subject that raise two broad sets of questions. First, what are the reservations of those opposing GIs and is there any merit in these reservations? Second, what are the virtues and pitfalls for GI-extension?

Key Elements of the Debate

At the outset, it is crucial to acknowledge the *discriminatory* and *interlinked* nature of the current impasse on GI. The existence of a double system for the protection of GIs – one for wines and spirits and another, weaker one for other goods – is considered discriminatory. Many countries with well-known GIs have failed to secure 'additional protection' under the TRIPs Agreement. Instead, ironically, they are obliged to provide a higher level of protection for wines and spirits even while these very same indications are deemed 'generic' or 'semi-generic' in key markets such as the United States and Canada.

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Moreover, there is a strong perception that well-known indications are 'misappropriated' in external markets (see box below). Given the branding of the new WTO negotiations as a 'development round', it is crucial that perceptions like these are addressed.

Reflecting the bargaining of multilateral trade negotiations, any movement on GIs will necessarily hinge on concessions elsewhere.[6] Bilateral relations are also relevant. Thus, Australia has repeatedly used the GI debate at the TRIPs Council to draw attention to its bilateral arrangements with the EU for the protection of wines and spirits.[7] Any resolution of this issue will require consideration of the pros and cons of the gains and concessions on offer.

Arguments and Counter-arguments

Among the main reasons for opposing GI-extension, some WTO Members cite the potential costs and burdens, such as new administrative rules, trade implications and obvious potential conflicts between producers from different regions[8]. In assessing these points, the following factors should be kept in mind:

- These concerns apply to almost any rule emerging from multilateral trade negotiations. It is very rare that a new trade rule will result in benefits accruing to every participant. It is also important to distinguish between the one-off fixed costs associated with establishing new administrative rules from the on-going costs of running the system.
- Members are already obliged to provide legal means for interested parties to prevent misleading use of GIs. Consequently, extending strong GI protection to other products should not involve any significant additional administrative burden. Effective enforcement of GIs will be contingent on action initiated by *demandeurs*. To explain: to enforce protection in external markets *demandeurs* will have to set up domestic systems for GI protection – a prerequisite for securing GI protection in external markets – and actively engage in enforcing the same in external markets. Moreover, as an UNCTAD study notes, TRIPs does not mandate a particular system of protection, thus allowing Members to exploit possible cost variations associated with different options, such as a government-run administrative system or alternatively a juridical system based on private initiative.[9]
- The level and frequency of use of GIs will tend to increase with time – as it does with any other IPRs. However, given their circumscribed nature, the number of GIs will probably remain limited (consider, for instance, the roughly 770 appellations of origin in 1999 with the estimated six million trademarks in existence).
- This leaves the final ground for opposing GI-extension: 'obvious potential conflicts between producers from different regions'. Given the long history of movement of agriculture-based products, this is a pertinent issue that has been repeatedly raised (almost exclusively in the context of wines) by countries from Latin America and Australia. The enforcement of GI will lead to some trade/production disruption as well as constraints on market access. This adverse consequence for select producers is one 'cost' of intellectual property protection, be they patents, trademarks or GIs. In the latter case, the long history of human migration and associated movement of plant genetic resources makes this a grave and thorny problem. The case of wines is pertinent since there are regions in the 'new' world that have an identical name to regions in the 'old' world (cf. footnote 7 above). There is no clear WTO rule on 'homonymous GIs', though Article 23.3 provides protection for each indication. It is hoped that the Doha-mandated negotiations on establishing a multilateral system of notification and registration will provide an acceptable solution to this problem. Clearly, the 'old' world – 'new' world impasse on GIs for wine remains a significant stumbling block for the concerns of other WTO Members seeking GI extension.

The Basmati Controversy

This controversy was initiated by the 1997 grant of a US patent on a rice variety to RiceTec. The patent, which was subsequently challenged by the Indian government and had many of its claims rejected, concerned the development of a semi-dwarf variety with 'characteristics similar or superior to those of good quality basmati rice'. Moreover, the patent stated that certain basmati plant and grain characteristics were not dependent on the growing environment. This view, which suggests that 'basmati' is a type of aromatic rice, is repeated by the USA Rice Federation, the industry lobby group, in a 1998 Communiqué and later confirmed by rulings of the US Department of Agriculture and the US Federal Trade Commission in response to petitions filed by a collective of US-Indian civil society organisations. The petitions sought to establish a rule that would prevent US-grown rice from being advertised with the word 'basmati'. While a strategically important move, the petitions were not well documented and consequently rejected. Neither the US FTC nor USDA considered the labelling of rice as 'American-grown' basmati misleading, moreover, both authorities deemed 'basmati' a generic term. This ruling sharply contrasts with marketing regulations that exist in UK and Saudi Arabia where only particular aromatic rice varieties from the Indian subcontinent are accepted as basmati. One of the lessons of this experience is the need for effective enforcement of GI protection in external markets, an effort that requires legal skills.

Would GIs Offer Effective Protection?

This leaves us with the fundamental question underlying the *demandeurs'* keen interest in securing GI extension: will the inclusion of products other than wines and spirits within the scope of Article 23-like GI protection be effective and economically beneficial? Referring to the existing operation of Article 22, extension opponents suggest that 'free and fair imitation of the product often enhances the intrinsic value (and premium) of the genuine GI' (IP/C/W/289). In some countries opposing extension, such as the US and Canada, certification trademarks allow a diverse range of GI goods to be protected, inluding Darjeeling tea, Stilton cheese, Swiss chocolate, Ceylon tea and Florida oranges. Nonetheless, the regulations in these countries also allow expressions such as 'style', 'kind', and 'American-grown', which dilute the GI and raise the risk of reclassification as a generic, as has happened with basmati.

Moreover, there are exceptions to the obligations under Articles 22 and 23, which include those related to transitional periods, the 'grandfather clauses' and Article 24. The latter permits the reclassification of a GI as generic on grounds of customary use or where use exists prior to the entry-into-force of the Agreement. While these exceptions are necessary to balance divergent interests, *demandeurs* for GI-extension need to carefully consider the net effect. In this respect, the EU's experience with the US and Canada is telling. Canada has used exceptions in Article 24 to classify 22 wine names and 15 spirit names as generic (cf. IP/Q2/CAN/1). No doubt, the possible benefits to those seeking GI-extension will depend on the use of these exceptions by other Members and on how a dispute settlement panel might interpret the exceptions. Securing GI extension for other products will not automatically protect external markets.

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part of a multi-pronged drive for liberalisation, involving regional trade agreements such as NAFTA, IMF structural adjustment programmes, and bilateral pressures. Lowered barriers at the border mean exposing small farmers to competition from foreign imports. Moreover, these imports are often extremely unfair competition, since Northern governments have continued to spend billions of dollars on agricultural programmes that drive down world prices and leave commodity markets flooded with unwanted production.

The FAO,[3] among others, has charted the result – surges of artificially cheap foodstuffs from the North have seriously endangered the livelihoods of millions of small farmers around the developing world. Maize farmers in Mexico; rice farmers in Haiti; dairy farmers in South Africa, Brazil and Jamaica have all suffered as a result. A number of NGOs are currently preparing case studies for the development box website showing how the proposal would help address these problems.

What Does the Development Box Propose to Do About It?

The Development Box works at two levels – it gives developing country governments the right to exempt 'food security crops' from tariff reductions. These crops, mainly staple foods, are grown by small farmers, often women, and are vital to the way most developing countries feed themselves. Secondly, the development box links trade liberalisation in the South to a reduction of dumping in the North. Until developed countries control the sale of their production by agri-business at less than cost of production prices, developing countries need to protect their agriculture from the market distortions that prevail in most commodity sectors today.

The proponents of the Development Box realise that it is not a 'silver bullet'. A single trade proposal cannot solve the problems of resource-poor farmers. Governments will still face external constraints in the shape of other regional trade agreements, and bilateral pressures, which try and prevent them from protecting their farmers. Internal pressures also exist – in most countries, large farmers are a much more organised political force than small farmers and lobby hard to ensure government policy reflects their needs, rather than those of the poor.

But the symbolic importance of the Development Box should not be underestimated. Its approval would send important signals – that developed countries and the WTO are serious about putting development at the centre of the 'Doha Round'; that trade rules can be designed specifically to address the needs of the poor; and that developing country governments can no longer hide behind their international trade commitments when they fail to address the needs of small farmers.

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ENDNOTES

1 Trade Observatory. For documeents on agriculture, see http://www.iatp.org/tradeobservatory/library/index.cfm?c_id=42#

2 See, for example, http://www.cafod.org.uk/tradejustice/saveourmaize.shtml

3 See *Agriculture Trade and Food Security: Issues and Options in the WTO Negotiations from the Perspective of Developing Countries*, FAO, 1999. The FAO is currently planning further work in this area.

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A final criticism of the demand for GI-extension is that failure to protect a GI in the country of origin removes the obligation to provide GI protection in external markets. This is clearly a fundamental hurdle facing the *demandeurs*, many of whom are developing countries. Unfortunately, little is reliably known about the status of GI regulations in developing countries (very few of them reported on the status of GI regulation in the last review conducted by the WTO Secretariat in April 2001 (IP/C/W/253)). Further, *demandeurs* need to recognise that exploiting potential benefits within WTO depends substantially on proactive measures. In the case of GIs, it will be useful to devote resources to setting, maintaining and enforcing product standards, creating a brand and policing its use in external markets. Factors like these are prerequisites for the development of a valuable GI. The availability of GI will not automatically lead to economic success. Just as there are a large number of useless patents and trademarks, there will be many GIs that do not result in economic return.[10]

To conclude, there is a strong case for responding to the demand for GI extension as the existing system is discriminatory and the the new round has been branded as a 'development round'. However, the *demandeurs* must face up to two key points: (a) domestic protection of GIs is a crucial pre-requisite and (b) exploiting the GI option requires significant investments. Only some GIs are likely to result in economic returns. In addition, the impasse regarding homonymous GIs between the 'old' and the 'new' worlds remains a stumbling block for taking the negotiations forward.

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ENDNOTES

1 See WT/MIN(01)/W11 by the EU et al.; WT/MIN(01)/W/9 by Bulgaria, Kenya and Sri Lanka; and WT/MIN(01)/W/8 by Argentina.

2 See WIPO (1993), Symposium on the International Protection of Geographical Indications, Funchal, Portugal.

3 Sergio Escudero (2001), International Protection of Geographical Indications and Developing Countries, TRADE Working Papers No. 10, South Centre.

4 The use of a GI that does not *mislead* the public will not be considered as contravening the Agreement.

5 Discussion at WIPO's Standing Committee on Law of Trademarks, Industrial Designs and Geographical Indications would suggest that this term refers to (identical) indications for similar products that originate in different places, a classic example being Rioja wine produced in identically named regions in Spain and Argentina.

6 For example, Bulgaria warned at a recent TRIPs Council special session on GI that movement on the GI debate has implications on other elements of the Doha Agenda, in particular agriculture.

7 The EU has succeeded in stopping South Africa from using the words 'port' and 'sherry', despite its historical use of these terms for domestic products (see also footnote 5).

8 This, and other, questions concerning GI-extension are taken from a June 2001 TRIPs Council submission by Argentina and seven other countries (IP/C/W/289).

9 UNCTAD (1996), The TRIPs Agreement and Developing Countries, New York and Geneva.

10 Many trademarks and patents granted and maintained are not effectively used. However, many of the 'useless' patents are part of larger portfolios, either as 'overlapping patents' or 'patent fences', which ultimately enable the exercise of control across a broad technological landscape. Whether similar strategic use of GIs is possible is difficult to state in the absence of detailed studies of the existing use of GIs in wines and spirits.