

ADVISORY GROUP INTERNATIONAL ASPECT OF AGRICULTURE

Meeting of 25 June 2012

DG AGRI working document on international protection of EU Geographical Indications: objectives, outcome and challenges

1. Introduction

EU legislation framework

It is now commonly shared that in the EU, the agri-food sector needs to build on its high quality reputation to sustain competitiveness and profitability and to differentiate their produce from commodities. The challenge is twofold: on one hand it will be necessary to offer products with the qualities consumers want; on the other hand consumers need to be informed about the qualities of products on the market. Economically and culturally, GI protection is becoming an increasingly important issue for producers and an important element of their business development strategy. Today, GI's products are obviously part of the EU quality policy, the EU is trying to protect not only in its territory but also internationally.

EU legislation provides for high level of protection of designations of origin and geographical indication in respect of agricultural products and foodstuffs, but also for wines and spirits. So far there is no legal framework to protect non-Agri GI's at EU level. As a consequence they are protected directly by Member States at least at the level provided by TRIPS.

The following EU schemes encourage diverse agricultural production, protect product names from misuse, evocation and imitation and help consumers by giving them information concerning the specific character of the products:

- ***PDO (Protected Designation of Origin)*** - covers agricultural products and foodstuffs which own their specificity to the geographical area and are produced, processed and prepared in a given geographical area using recognised know-how.
- ***PGI (Protected Geographical Indication)*** - covers agricultural products and foodstuffs closely linked to the geographical area. At least one of the stages of production, processing or preparation shall take place in the area.

As regards foodstuffs, a harmonised regulatory system in the European Union was created in 1992 to register names of agricultural products and foodstuffs¹. The register contains names of agricultural products and foodstuffs, including cheese, hams, meat, fruit and vegetables, as well as olive oils, dairy products, beers, bakery products, spices, coffee, and condiments. The names and scheme logos can only be used to describe authentic product corresponding to the

¹ Regulation (EC) No 510/2006 of the Council on the protection of geographical indications and designations of origin for agricultural products and foodstuffs (OJ L 93, 31.3.2006, p. 12) which repealed and replaced Regulation (EEC) No 2081/92.

specification laid down. In this way, the EU schemes identify and protect the names of quality agricultural products and foodstuffs.

In 2008, new legal frameworks were adopted as regards the protection of spirit GI and wine PDO/PGI. These two legal tools aim to harmonise the procedural aspects as regards registration, opposition and cancellation of PDO/PGI/GI. Bearing in mind the specificities of these sectors, the new regulations are largely inspired by the legislation applying to agricultural products and foodstuffs.

The EU has one specific database for each category of products;

- The DOOR database includes product names registered as PDO, PGI as well as names for which registration has been applied. It is open to Third Countries GI's (e.g. Café de Columbia, Darjeeling). More and more third countries' producers apply directly to the Commission to benefit from these high valuable protection schemes.

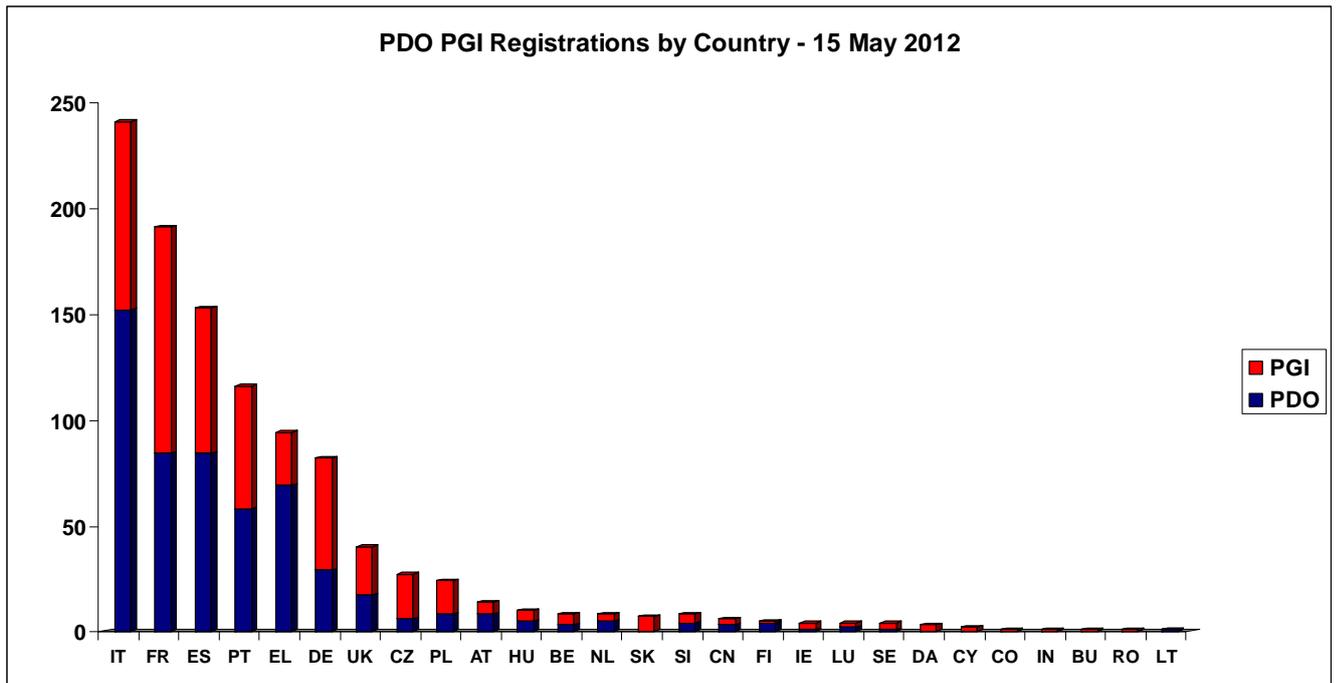
- The E-CAUDALIE database dealing with all procedural aspects of PDO/PGI registration, opposition, cancellation and conversion for wines.

- E-BACCHUS is the EU Register on PDO/PGI protected in the European Community for wines originating in Member States in accordance with Council Regulation (EC) No 1234/2007. It also constitutes a database of protected geographical indications of third countries GIs, including the ones protected via bilateral agreements.

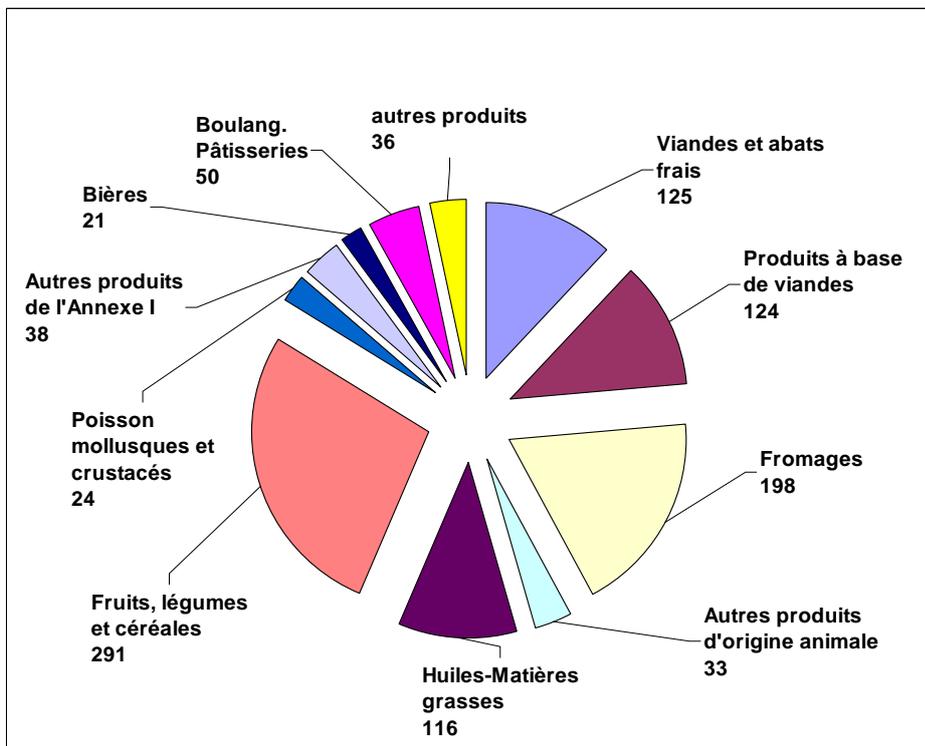
- E-SPIRIT is the database on geographical indications protected in the European Community for spirits originating in Member States according to Council regulation (EC) No 110/2010 and third countries. The register consists of Annex III of Regulation (EC) No 110/2010.

Some figures on the GI's protected in the EU

As of today, 1056 agricultural and foodstuffs names (wines and spirits excluded) are registered as PDO or PGI in the EU register. 24 EU Member States have names registered (only Malta, Estonia and Latvia do not have registered names) and 3 third countries (China, Columbia and India).



Registered names are mostly names of fruit, vegetables and cereals (almost 30%) and of cheeses (almost 20%). The other main categories of products concerned are meat and meat products (around 12.5% each) and oils, mostly olive oils (about 10%).



As regards wines and spirits, 1561 wine PDO/PGI, 2 third countries wine GI and 325 spirit GI are protected in the EU.

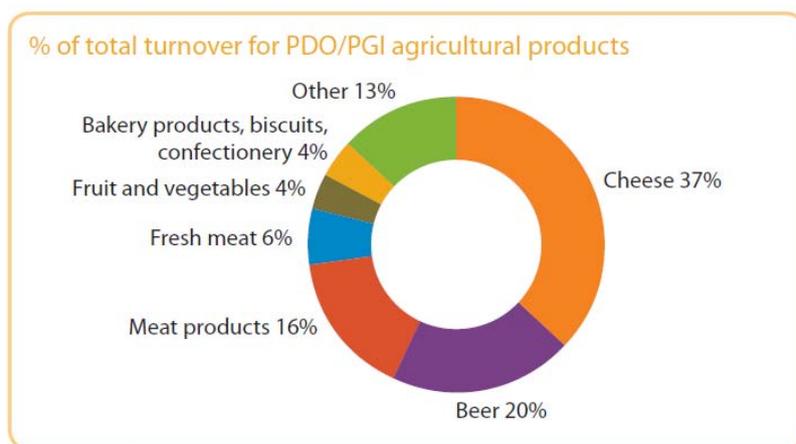
Political and economic importance

The economic importance of GIs for foodstuffs was subject to a specific study in 2009 for foodstuffs².

In 2007, the 820 PDO and PGI agricultural products listed in the European Register for agricultural products and foodstuffs (excluding wines and spirits but including beer) had an estimated wholesale value of €14.2 billion.

The turnover of these PDO and PGI products rose steadily between 2005 and 2007. In addition, it was estimated that 30% of the production of PDO and PGI was exported outside the European Union, to the tune of €700 millions. There was a rise in PDO and PGI exports between 2005 and 2007, both in volume (+ 9%) and value (+ 17%).

Cheese accounted for more than a third of total PDO/PGI turnover, beer for a fourth and meat products for 16%.



The Commission is currently working on an update of this study, which should also include wines and spirits.

Other data sources report an estimated €13 billion farm gate value for wines and €30 billion consumer price value for spirits. Exports of wines stood at €5,9 billion and of spirits at €5,7 billion. The EU trade in processed agricultural products is for 25 -30 % covered by GIs, 80 % of total wine exports are GIs and almost all spirits exports are GIs.

Besides this economical importance, it should be recalled that GI's carry a strong political weigh in international negotiations, in particular for certain Member States who see it as a crucial offensive interest. For this reason, today, it would not be conceivable to negotiate a Free Trade Agreement (FTA) without an appropriate chapter on GIs.

² Study on the value of agriculture production under Protected Designation of Origin (PDO) and Protected Geographical Indication (PGI), carried out by AND International for DG AGRI in 2009. Outcome of the study: http://ec.europa.eu/agriculture/quality/schemes/newsletter-2010_en.pdf and http://ec.europa.eu/agriculture/quality/schemes/index_en.htm (country and product files)

Protection at international level: what is at stake?

One thing is to protect the EU GI product on the EU market, another is to get a satisfactory level of protection at international level. In practice it is not rare that certain EU GI products suffer from usurpation, abuse of reputation in third markets. This phenomenon does not concern the vast majority of EU products but rather a small minority of products with high economic value (mainly cheeses- e.g. Feta, Gorgonzola, Asiago-, meat products such as Parma Ham and certain wines and spirits –e.g. Champagne, Scotch whisky...).

The EU legal framework offers a high level of protection for all foodstuff GI's compared to TRIPS Agreement which provides for a higher level of protection for wines and spirits than for foodstuffs (See below under point 2). As a consequence, some of the main objectives the EU seeks in international negotiations are:

- to assure protection of EU GIs;
- to reach extension of the level of protection for foodstuffs;
- to agree on co-existence with prior trademarks;
- to guarantee administrative protection in addition to judicial action.

To reach its objectives the EU is active both at the multilateral and bilateral level.

2. Multilateral framework:

TRIPS basic provisions : possibilities and limits for EU GI's protection

Geographical Indications are defined in TRIPS Art. 22.1 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*".

As already mentioned, TRIPS Agreement does not provide for the same level of protection for all GIs:

- All products are covered by Article 22, which defines a standard level of protection: in that case there is a need to show evidence of consumer confusion to prevent the use of a GI term. This may be very difficult when the true origin is indicated (for instance "Australian Feta"), when the GI term is accompanied by expressions such as "like", "kind", "style", etc. (for instance " Prosciutto Parma style"), or when the GI is used in translation. This level of protection is the one which applies for foodstuffs, and clearly is insufficient to protect EU GI's properly around the world.

- Article 23 provides a higher or enhanced level of protection for geographical indications for wines and spirits: subject to a number of exceptions, they have to be protected even if misuse would not cause the public to be misled for example if the true origin is indicated. This level of protection, being objective, is much more satisfactory. Protection against use in translation is also automatic and objective, and use of expression such as "like", "kind", etc. is also prevented.

DDA negotiations: EU position, State of play:

Two issues are debated under the Doha Development Agenda (DDA) mandate, both related in different ways to the higher level of protection for wine and spirit GI's in TRIPS (Article 23): creating a **multilateral register for wines and spirits**, and **extending the higher level of protection** beyond wines and spirits. Both are as contentious as any other subject on the Doha agenda.

In the run-up to the July 2008 Ministerial meeting, over two thirds of all WTO Members, led by the EU, Brazil, India, China and Switzerland, submitted a joint Communication on Draft Modalities for TRIPS Related Issues (Document TN/C/W/52), i.e. the register, extension and TRIPS/CBD disclosure (the obligation to disclose the origin/source of genetic resources used in patentable inventions; an objective important for developing countries). This document still reflects the position of the EU on the GI objectives.

Other WTO Members (in particular the U.S., Australia, Canada, New Zealand, Chile, Argentina, Japan and some other developing countries) submitted an alternative Joint Proposal on the register, which basically suggests a mere GI database limited to wines and spirits. According to the Joint Proposal, participation in the system for notification and registration would be strictly voluntary, no WTO Member would be required to participate, and participation could be terminated at any time. Participating Members would only commit to ensure that the database is consulted, without any legal effect ensuing from this consultation. The sponsors of this Joint Proposal reject the EU approach (register and extension) as going beyond the TRIPS/Doha mandate to facilitate (not increase) the protection of GIs for wines and spirits and because of alleged extraterritorial legal effects of the register. They have also made clear from the outset that they reject negotiations on extension and TRIPS/CBD disclosure.

On the **multilateral register**, intensive negotiations took place in the Special Session of the TRIPS Council from January to April 2011. These negotiations culminated in a Draft Composite Text in Treaty language with the respective positions of the different camps in brackets. The text was circulated in April 2011 but prospects for work in 2012 remain unclear. The new Chair of the Special Session (Ambassador Agah) was confirmed only on 23 March 2012 and his intentions are not yet known.

On **GI extension and TRIPS-CBD**, WTO Director General Lamy held several consultations (the latest one held on 5 March 2010, followed by an open-ended meeting on Extension and CBD on 12 March 2010) with proponents and opponents of document TN/C/W/52 CBD and extension. On 21 April 2011, Director General Lamy circulated a report on his consultations concluding that members' views continue to diverge on both issues but that discussions underscore the benefits of understanding more fully how countries' own intellectual property systems work — the scope of protection for geographical indications in practice in various countries, and the “practical and operational context” of the existing patent mechanisms for disclosing the origins of genetic material and any associated traditional knowledge used in inventions. At this stage it is unclear to what extent progress can be made in 2012 on this issue too.

As long as TRIPS does not offer a satisfactory level of protection for EU GIs, it is crucial to achieve a good outcome on GI's in bilateral FTAs.

Other International Agreements: Lisbon Agreement

The Lisbon Agreement for the Protection of Appellations of Origin and their International Registration (the Lisbon Agreement) was adopted in 1958 and as such predates both TRIPS and EU GI regulations. It is administered by the World Intellectual Property Organization (WIPO – a UN agency), which also keeps and publishes the GI register under this Agreement. To date this is the only multilateral GI register.

The Lisbon Agreement was concluded in response to the need for an international system that would facilitate the protection of geographical indications (appellations of origin), in countries other than the country of origin.

Appellations of origin that are “recognized” and “protected” in the “country of origin” in accordance with its domestic legislation may be included in this international register. The effect registration is the protection in each contracting country which has not issued a refusal. The Agreement also lays down the protection level which is comparable to that in the EU and higher than that offered by TRIPS to wines and spirits. Prior trade marks have to be phased out unless the other country has issued a refusal. Member countries may refuse the protection of appellations of origin provided they respect the time requirement for notifying refusal. The admissible grounds are comparable to those in the EU.

The obligations for member countries are limited to providing a means of defense against any usurpation or imitation. The necessary action has to be initiated by the titleholder before the competent authorities of each member country, according to the procedural rules laid down in the national legislation of those countries.

Despite the international register and the high level of protection of the Lisbon system its effectiveness is limited by the possibility for appellations of origin to be rejected by individual members and the enforcement that is determined by national legislation.

The Lisbon System has only 27 Contracting Parties (member countries), of which 7 are EU Member States (Bulgaria, Czech Republic, France, Hungary, Italy, Portugal, and Slovakia). The European Union has observer status. Greece, Romania and Spain have signed but not ratified the Agreement.

The scope of the register is not limited; it currently contains around 900 appellations of origin, for example for agricultural products, beers, mineral waters, foodstuffs and handicrafts. The Lisbon System is currently undergoing a reform.

3. GI's protection in a bilateral framework: clarification of the EU general objectives.

Individual protection of EU GIs in third countries: possibilities and limits.

In the vast majority of countries in the world it is possible for EU legitimate GI users to seek a certain level of protection for their products. All WTO members have to assure that the TRIPS provisions are implemented correctly. However, this does not mean that all these

countries offer a *sui generis system* (specific GI legislation with a register like in the EU). When it is not the case, GI's can usually be registered as collective or certification trade marks.

Unfortunately in both cases, protection is often limited to TRIPS basic provisions which are not sufficient to prevent misuse, imitation and evocations of the EU GIs. For instance in a third country providing for TRIPS Article 22 level of protection, we could easily find products using the reputation of EU GIs (similar or very close names, associated images or symbols (Italian flags, typical Greek village picture...) with indication of the true origin often in small characters on the back of the packaging.

Moreover, when GIs are registered as Trade mark they do not benefit from an appropriate enforcement and necessitate a costly monitoring activity by the trade mark owner which cannot be supported by small GIs producer groups.

Worse, it also happens that non legitimate GI users already registered trade marks using GI names for products which do not comply with any specific characteristics (in good faith or not).

General objectives of a bilateral Agreement / Stand alone agreements

Currently, apart from WTO negotiations, the EU is negotiating GIs protection under two different frameworks: Stand Alone agreements (e.g. China) and bilateral agreements.

In the new generation of FTAs a satisfactory GI Chapter is a "must have" for the EU. However, it should be clear that the EU objective is not to impose a mere transposition of its internal legislation to the concerned third countries; it would not be realistic in some cases.

The objective in EU negotiations is to add value compared to TRIPS basic provisions. What we call "TRIPS + " means notably:

- To establish a list of EU names to be protected directly and indefinitely in the third country, from the entry into force of the agreement. In this respect, and as said above, the EU may have to adapt its request to the type of third country it is negotiating with. For this reason, it has not always been possible to get protection for all EU GIs but only for a "short" list. A short list contains the GI's names, among which those which are likely to be usurped on a specific market and/or for which there is evidence of an economic interest or potential development. In any cases, lists should remain open for later additions.
- To obtain the extension of GI protection provided by Article 23 to other products than wines and spirits.
- To allow co-existence with prior trademarks, if they were registered in good faith. The principle of co-existence implies that when there is a prior trade mark it should not preclude later registration and protection of a GI. However later registration of a GI would not be a ground for invalidation or cancellation of the prior trade mark. This crucial principle of co-existence was recognised in the WTO jurisprudence on TRIPS (WT/DS174) considering that registration of a GI even when they conflict with a prior trade mark, is sufficiently constrained to qualify as a "limited exception" to trade marks rights. Nothing in WTO law prevents a country from agreeing with this principle.

- To phase out prior uses of EU names.
- To obtain administrative protection (so that EU exporters do not always have to go through the courts of the third country).
- To avoid that protection of EU geographical indications depends on individual applications.
- To ensure a right of use (opposed to trade mark license system).
- To create a co-operation mechanism / dialogue.

4. State of play of bilateral agreements negotiations

The foundation: Wine and Spirit Agreements

First agreements on GI's only concerned wines and spirits. These agreements (either "stand alone": i.e. with Australia, Canada, or part of Agreements on trade in agricultural products - with Switzerland, Chile, South Africa and Mexico) are what we now call "old generation" Agreements, covering many aspects of the wine, not only the protection of GI. They also address issues, such as oenological practices, protection of traditional terms, labelling and presentation, certification, co-operation between the parties, including with wine industries and the setting-up of a joint committee. On PDO/PGI, specific provisions cover phasing-out of semi-generic and trademarks.

The EU-U.S. wine agreement of 2006 provides reciprocal protection to 'names of origin', but this protection is not specifically characterised as GI protection.

Bilateral Agreements: state of play

Countries involved in the enlargement process (Western Balkans, Turkey and Iceland) and with whom the EU has bilateral FTA are required as part of the accession process to align their GI system to the *acquis*.

For other third Countries, as mentioned above the negotiation context may be very different from one third country to another, depending on their historical tradition and sympathy for GIs, agricultural tradition, or trade mark tradition. We can put the negotiating partner in context based on their own IPR legislation, whether international agreements may take priority over domestic law and their willingness to protect EU-GIs. Basically, countries can be classified under three main categories:

- Agreements with neighbouring countries: EU negotiated agreements with countries with similar legislation like Switzerland, Georgia, Moldova, Ukraine (negotiations concluded), and the negotiations with Morocco, Tunisia, Norway, and Armenia are about to start. With these countries it is usually possible to reach a very high degree of integration of the respective complementary GI systems and registers.

- Agreements with non neighbouring countries, but having already a GI system established or having a domestic interest to create such a system of protection: as is the case with South Korea, Peru-Columbia, Central America (negotiations concluded), and India, China, Malaysia (ongoing negotiations), or other Asian countries. For these countries the absence of a long established practice for managing GI registers poses particular challenges were a full integration of the EU registers contemplated. At the same time the interest of individual EU titleholders to bear with the registration formalities on distant markets is far less pronounced. Moreover, for some of these countries protection of GIs is ensured through trade mark systems, or the legislation is not yet fully implemented, or there is no GI legislation at all.

- Agreements with countries without GI tradition, like Canada, Singapore, Mercosur, with whom discussions are much more difficult, and where co-existence with prior trade marks for instance, is a very difficult issue.

It also happens that some of the EU negotiating partners are sometimes negotiating in parallel with other third countries (i.e. TPP- Trans Pacific partnership Agreement where countries like Peru, Chile, Singapore, Malaysia, Vietnam, etc. are negotiating with the US, Australia at the same time). This can potentially complicate the EU discussions, given that a TPP agreement which would exclude co-existence, or relax conditions for genericness for instance would possibly jeopardize any GI agreement or even FTA with the EU.

EU specific discussions and cooperation actions with Developing Countries

Finally, it should also be remembered that the EU adapts its policy, and actions for Developing Countries. Farmers in the ACP (Africa, Caribbean and Pacific) group of countries, as anywhere in the world, produce many products that have special characteristics or reputation due to their origin, the local environment or savoir faire of the producers. The potential for development of geographical indications in ACP countries is well illustrated by the increasing global marketing of specialty coffees designated by origin. While recognising the early stage of development in many countries and limitations in terms of capacity, the EU is encouraging the development of GI systems of protection.

The EU has proposed to cover intellectual property and geographical indications in the Economic Partnership Agreements that have been concluded or are under negotiation with 7 ACP regions. In the EPA concluded the CARIFORUM (Caribbean), the EU is assisting the partner countries to establish systems of protection by 2014. In the Southern African Development Community (SADC) EPA negotiation, the EU has proposed reciprocal protection of a short list of GIs focussed on South Africa, which already gives effective protection to GIs in the wines and spirits sectors under agreements concluded in 2004. In the case of the EPAs under negotiation with the East African Community, West Africa and the Pacific, cooperation on GIs has been proposed with a view to assisting the partner countries develop GI systems in future. For Central Africa, Eastern and Southern Africa, however, no specific undertaking regarding GIs is proposed.

In parallel to the EPA discussions in sub-Saharan Africa, the EU has joined with the African Union Commission to promote GIs as a development tool that can protect the identity of local and indigenous products throughout Africa. At regional level, 16 countries in West and Central Africa are members of the *Organisation Africaine de la Propriété Intellectuelle* (OAPI) based in Cameroon, which has in place a system for GI protection. It is expected that

the first African GIs under this system will be registered in 2012. A further 18 countries across sub-Saharan Africa are members of the *African Regional intellectual property Office* (ARIPO) based in Zimbabwe. In December 2011 ARIPO decided to develop a GI system, and EU is in the process of providing technical assistance to this project.
