

**IMPLICATIONS OF ARTICLE 23 EXTENSION**

Communication from Australia, Canada, Guatemala, New Zealand,  
Paraguay, the Philippines and the United States

The following communication has been received from Australia, Canada, Guatemala, New Zealand, Paraguay, the Philippines and the United States, with the request that it be circulated to the Council for TRIPS.

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1. Extension of Article 23 of the TRIPS Agreement to cover geographical indications (GIs) for all goods has been advertised as a solution to what some regard as unfair special treatment for geographical indications for wines and spirits. Extension has also been promoted as providing market access benefits to WTO Members. If extension of Article 23 were actually able to provide these claimed benefits, many WTO Members have goods that would stand to gain from such an extension. For that reason, we have carefully reviewed proposals aimed at extending Article 23 to geographical indications for goods other than wines and spirits with an eye toward gaining such benefits for our industries. However, after thoughtful review, we have concluded that extension will not provide meaningful benefits but will instead create new difficulties.

**Issue 1: Imbalance in numbers**

2. Not all WTO Members are producers of wines and/or spirits. Not all WTO Members are consumers of wines and/or spirits. However, all WTO Members produce and/or consume a variety of agriculture products. Thus, at first glance, it seems appropriate to request extension of Article 23 to geographical indications for goods other than wines and spirits since all WTO Members might potentially benefit.

3. If the extension discussion were purely one of intellectual property policy, it would make sense to treat all products in the same manner legally. However, we note that the WTO TRIPS Council's discussion takes place in the context of trade policy and that the additional protection provided for geographical indications for wines and spirits resulted from the Uruguay Round of multilateral trade negotiations, during which concessions were provided in exchange for that additional protection. All WTO Members are now being asked to assume additional obligations without receiving any counterbalancing concessions. Thus, the fact that some WTO Members have geographical indications for many products for which they seek additional protection, while other Members have only a few, if any, geographical indications for which such additional protection would apply is quite relevant to the extension discussion.

4. One Member may only have a few geographical indications for domestic products in which it is interested, but would be obliged to provide the means to protect hundreds or thousands of

geographical indications from Members with formal systems for such indications. For example, EC member States have registered nearly 600 names for foodstuffs, beer and other beverages under the EC geographical indication regulations and could be expected to seek protection for these in any negotiation. This imbalance is exacerbated by the fact that, under the current EC regulations, the EC does not appear to provide protection for non-EC geographical indications (i.e., place names of other WTO Members), except on the basis of bilateral agreements, or if the EC has determined that a country has a system for geographical indications that is equivalent to the detailed system of the EC. Therefore, Members need to evaluate the true commercial opportunities they would receive as a result of extension of Article 23 compared with the protection they would have to provide. The United States has found that, while there may be enthusiasm for shouldering burdens when those burdens are academic, the real costs of implementation mean that new obligations go unmet. There seems little point in agreeing to new obligations when it is clear that existing obligations are not being met. Thus the balance of concessions is not satisfactorily addressed, even with respect to existing obligations, and, were extension agreed to, it would create an additional dichotomy between the benefits those WTO Members with many geographical indications would receive and the costs to those Members with few geographical indications.

### **Issue 2: The definition of "geographical indications" is still a barrier**

5. WTO Members that are looking towards extension of Article 23 to provide protection for specific terms in the territory of other WTO Members might discover that those terms do not receive protection because other WTO Members conclude that the terms do not meet the definition of a "geographical indication".<sup>1</sup> For example, some WTO Members might not consider the name of a country to be eligible for protection as a geographical indication. Some WTO Members might not consider a fanciful term to be eligible for protection as a geographical indication. Some WTO Members might require that the term identify the present name of a geopolitical entity. Thus it is unlikely that extension of Article 23 to geographical indications for other goods would provide the promised protection for all terms in all WTO Members.

### **Issue 3: Article 22 is sufficient, but not used**

6. Geographical indications to which exceptions in Article 24 do not apply already are provided sufficient protection under Article 22.2. However, few WTO Members' nationals have made use of the protections provided under Article 22.2.

7. Article 22 provides for protection against misleading uses of geographical indications. The Article 22 standard can ensure that geographical indications do not become generic. As we have noted in the past, indications of geographic origin used in one country began to be used in other countries, not because the indications were well known worldwide and the users sought a "free ride", but because citizens of the first country emigrated to the second and used the same terms for their products that they had used in their home countries. Much of that emigration took place because of political, economic and other conditions from the 17<sup>th</sup> to the mid-20<sup>th</sup> centuries, in many cases before appellation of origin protection had even been established in the territories of those Members that now claim those terms. With the advent of the TRIPS Agreement, however, if a more recent geographical term becomes generic, it likely would be because the owner of the geographical indication is not using the means available to prevent unauthorized use of that geographical indication, which is the obligation of the owner of a geographical indication since, as recognized by the preamble of the TRIPS Agreement, intellectual property rights are private rights.

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<sup>1</sup> The Secretariat has provided a summary in JOB(00)/5619 of 19 September 2000 of the responses to the Article 24.2 questionnaire on the differences in national law standards for determining what is entitled to protection as a geographical indication.

8. In the United States, for example, geographical indications such as STILTON for cheese, PARMA for ham, ROQUEFORT for cheese, and SWISS for chocolate already receive Article 22-level protection. Interestingly, the owners of these geographical indications have taken steps to prevent unauthorized uses of their geographical indications in the United States. The United States legal system currently offers the legal means to prevent unauthorized or misleading use of a geographical indication. Thus, the Swiss geographical indication ETIVAZ, which identifies an indigenous cheese from Switzerland, can be asserted to prevent unauthorized use of the term ETIVAZ (or a similar term) for any cheese - or related product - that falsely suggests a connection to the ETIVAZ cheese from Switzerland.

9. As another example of the ways in which the current Article 22 standard provides substantive protection for geographical indications in the United States, we note that the US Patent and Trademark Office's Trademark Trial and Appeal Board affirmed an examiner's refusal to register the proposed mark AMERICAN LIMOGES as deceptive. The proposed mark was considered deceptive, and therefore unregistrable, even though it indicated that the goods were American because it suggested a misleading connection with the French porcelain. The Board said "[s]uch deception does not exist in the actual place where applicant's dinnerware is made, but in the fact that purchasers may be deceptively misled into believing that applicant's dinnerware is of the same quality, type or grade of Dinnerware made in Limoges...." *In re Salem China Co.*, 157 USPQ 600, 601 (TTAB 1968).

#### **Issue 4: Article 24 exceptions preclude protection for many promised terms**

10. The promised benefits of Article 23 extension would not be so comprehensive as some have claimed. The benefits sought will likely not be achieved because terms for which protection is sought do not qualify as geographical indications under the Article 22 definition, are misleading, or will not be covered by an extension of Article 23 because they already fall within one of the Article 24 exceptions. For example, many delegations at the TRIPS Council have indicated certain terms for which they would like Article 23-level protection; however, many of these terms are already generic in some other countries. Extension of Article 23 will not provide protection for these terms because they would fall under the Article 24.6 exception for terms of customary usage and Members would not be obligated to protect them.

#### **Examples**

11. The following are terms that have been mentioned in the TRIPS Council as examples of terms that are deserving of as much protection as wines or spirits and would only receive such protection if the scope of Article 23 were extended. Many of these terms are sufficiently protected under an Article 22 standard without any confusion or would not be eligible for protection if Article 23 were expanded, as indicated below:

**Etivaz cheese** - is a geographical indication recognized by Switzerland and would be entitled to protection under Article 22 in other Members' territories unless it fell within one of the Article 24 exceptions in particular Members' territories. If Etivaz is well known for cheese, any use of the name for a cheese not originating in Etivaz would be misleading and, therefore, use could be prevented under Article 22.

**Geneva clocks** - could be a geographical indication if so recognized in its country of origin. If so, the indication could be entitled to protection under the Article 22 standard. Such protection would be sufficient to protect against unauthorized uses.

**Carolina rice** - protection is not being sought for this term as a geographical indication. The rice was originally planted in the 1800s in North Carolina, but is now grown in Texas,

California, etc., and therefore, although raised by other delegations, the term is not relevant for this discussion.

**Bukhara carpets** - may have been eligible for geographical indication protection, but is a generic term in the United States for a style of carpet. Article 24.6 provides that Members can except generic terms from protection under their laws and, therefore, the term would not benefit from expanded Article 23-level protection.

**Basmati Rice** - we are not aware that the term is protected as a geographical indication in the country of origin, and, under Article 24.9, other WTO Members would not be obligated to extend protection. Therefore, the term would not benefit from extension of Article 23 to geographical indications for products other than wines and spirits. Further, some WTO Members might not consider BASMATI to be a term eligible for protection as a geographical indication since it does not identify an actual place to which the particular quality and characteristics of the rice are attributable. Additional issues might be raised if exclusive protection for the proposed geographical indication was requested by more than one WTO Member.

**Jasmine Rice** - we are not aware that the term is protected as a geographical indication in the country of origin, and, under Article 24.9, other WTO Members would not be obligated to extend protection. Therefore, the term would not benefit from extension of Article 23 to geographical indications for products other than wines or spirits. Further, some WTO Members might not consider JASMINE to be a term eligible for protection as a geographical indication since it does not identify a real place to which the particular quality and characteristics of the rice are attributable. Even if the term for protection was further specified to be THAI JASMINE RICE, the term may not be considered to be eligible for protection by Members that do not believe that country names qualify for protection as geographical indications. Additional issues might be raised if exclusive protection for the proposed geographical indication was requested by more than one WTO Member.

**Bulgarian Yoghurt** - apparently, the term BULGARIAN YOGHURT is used as a generic term in France. Even if Article 23 were extended, France could apply the exception for generic terms and Bulgaria would not receive the expected protection as a result of extension. The use of the term BULGARIAN as a generic reference is consistent with the view of some WTO Members that country names might not be eligible for protection as geographical indications.

#### **Issue 5: Exceptions apply on a per-member basis**

12. The exceptions under Article 24.6 apply on a per-Member basis. Thus, even if a term is generic (Article 24.6 exception) in one WTO Member, it may be a protected geographical indication in other WTO Members. For example, if Member X concludes sufficient bilateral agreements for absolute protection of the term XYZ, producers in a WTO Member where XYZ is a generic term will nonetheless be precluded from exporting to any WTO Member with whom Member X has concluded such a bilateral agreement. Therefore, the producers in the WTO Member where the term is generic would not be able to export that product using the generic term to other markets.

#### **Issue 6: Substantial costs**

13. Contrary to claims that extension of Article 23-level protection can be implemented merely through extending to geographical indications for all goods what is currently done with respect to geographical indications for wines and spirits, the implementation burdens are not that simple for those WTO Members that would use wines and spirits regimes as a model for extension to other

goods. Implementation of an extended Article 23 could necessitate serious costs to governments, manufacturers and consumers in the form of new administrative mechanisms to implement the broadened standards, re-labelling and repackaging, and confusion costs to consumers who cannot find the products that they are accustomed to buying.

#### *Costs to Governments*

14. Extension of Article 23 will require more complicated implementation than is the case for Article 22 implementation; countries will have to institute a system that protects a wide variety of products and may have to change fundamental concepts in their laws. For Members that have not yet implemented Articles 22 and 23 or have "implemented" by reproducing the language of these articles verbatim in their laws, they will have to implement them substantively by creating mechanisms to define and enforce these provisions.

15. Were Article 23 extended, implementation of the new Article 23 provisions would certainly be required. Once the Article 23.4 multilateral system negotiations are completed, it is likely that the EC will enforce implementation through dispute settlements based upon Articles 22, 23 and the Article 23.4 multilateral system: the EC clearly places high importance on its geographical indications and their protection. Because Article 23, in the EC's view, essentially requires a labelling regime wherein all labels are policed for compliance with the Article 23 requirements, the implementation burdens of such a system become very complicated. Were Article 23 extended to cover geographical indications for all goods, the labels to be reviewed and policed increase exponentially.

16. For countries that have a system of protection for geographical indications based on trademarks, collective marks, certification marks, and unfair competition law, extension of Article 23 protection would "dilute" one of the fundamental concepts of trademark systems and unfair competition law - the confusion or misleading standard - which could necessitate a substantial overhaul of the entire trademark or unfair competition regime.

#### *Government as Enforcer*

17. The EC and Swiss systems for recognition of geographical indications provide for government recognition, oversight and enforcement of the standards established for the use of geographical indications. In Members that do not have such a system, having the government assume those responsibilities would require considerable resources to set up the system and ongoing resources to maintain.

18. Countries such as the United States treat geographical indications as private rights, as they are identified in the TRIPS Agreement, and provide the owners of those rights, and other interested parties, the means to prevent improper use.

19. It should be noted that the recent EC paper does not explicitly require governments to enforce the geographical indications. However, given that the EC's system of protection for geographical indications - and that of some other demandeurs - does not appear to provide national treatment, but rather, provides protection for other WTO Members' names only if the other Member has an "equivalent" system of government enforcement, we are concerned that, rather than amending its system, the EC will seek to export its system of government enforcement.

#### *Overhaul of Trademark Regimes*

20. If a Member currently provides protection for geographical indications based primarily on a trademark system, then it prevents use of a similar or identical name when that use is misleading or

confusing to the public. If Article 23 were extended to cover geographical indications for all goods, then the traditional trademark standard and confusion analysis would not be sufficient because Article 23 requires implementation of an "absolute" standard - if the goods do not come from the place named, then the geographical indication is invalid regardless of whether its use would mislead the public. To require the trademark regime to begin using a different standard - one not based on consumer confusion - would necessitate, at least in the trademark regimes of some Members, a fundamental philosophical change. This is a cost that must be acknowledged.

#### *Administrative Burden Costs*

21. The EC is currently amending its regulations on geographical indications – Regulation 2081/92 - and in its most recent draft, has deleted geographical indications for mineral waters. The reason given for the deletion was that there were too many geographical indications for mineral waters in the EC and therefore, the EC could not handle the administrative burden of registering and enforcing these terms. Even the EC has found its system too burdensome.

22. We believe that another reason the EC has proposed deleting mineral waters from Regulation 2081/92 might be because of potential conflicts between European trademarks for mineral water and European geographical indications for water. The mark EVIAN for mineral water could also qualify as a geographical indication. If the EC received a GI application for EVIAN, it would have to decide whether its own regulations would apply so as to cause commercial harm to the EVIAN trademark by allowing the geographical indication and the trademark to coexist, even if the EVIAN trademark was established first, or by cancelling the trademark altogether. As an example, this potential conflict highlights why any discussion of extension must include a discussion of the proper relationship between geographical indications and trademarks.

#### *Costs to Manufacturers*

23. All Members' domestic companies that export goods would have to do a country-by-country analysis of every export market in order to determine if they are allowed to use the terms on their current packaging, a very burdensome and expensive process. The Article 24 exceptions would only apply in the markets where the company has been using a term for some time. If the term has not been used in the export market in a particular WTO Member's territory, the company would lose the ability to use that term in that market. Companies would be forced to change current packaging for all markets or use different packaging for different markets, which is expensive and would certainly confuse their current customers, perhaps affecting their market share negatively.

24. Moreover, as noted above, the EC's practice has been to demand elimination of the use of exceptions as a condition for the bilateral agreements it has entered into. It would have even more incentive to demand elimination of the exceptions through the TRIPS process because it would apply to all WTO Members. Elimination of the exceptions in Article 24, such as the exception for generic terms, would force companies to abandon names even in domestic markets no matter how long those names have been used or how much has been invested in them. We note in this regard that, following a recent decision of the European Court of Justice regarding FETA, the EC has decided to adopt a regulation that will no longer allow non-Greek cheese producers to use the term FETA within the EC. The term FETA is considered to be generic by many WTO Members. We understand that this prohibition is likely to have serious commercial implications for the producers in Denmark, France and Germany. One would expect that the EC would seek to eliminate such use by producers in the territories of other Members. In cases where a company is forced to abandon use of the term, it would lose the benefit of the reputation built up in that product, its market access, and the benefit of use of a well-known name. Although difficult to quantify, our industries are very concerned that such losses would be substantial. Other Members' industries likely share those concerns.

25. The following are just a few examples of terms that producers are concerned about losing because they could be eligible for protection under an extended Article 23: asiago cheese, balsamic vinegar, camembert cheese, edam cheese, emmentaler cheese, feta cheese, gouda cheese, kalamata olives, parmesan cheese and pilsner.

#### *Costs to Consumers*

26. Consumers currently are not confused regarding the products they are buying because the use of terms that are misleading to consumers is already dealt with under an Article 22 standard. Article 22 already allows interested parties to protect geographical indications for all goods in instances where their use could confuse consumers. However, were an Article 23 standard to be applied for all goods, the increase in costs to industry to rename, re-label and repackage would be passed on to consumers resulting in higher priced goods. Also, consumers will no longer be able to recognize the products that they are used to purchasing.

#### **Conclusion**

27. In summary, extension of Article 23 to all goods would not be the panacea that many Members envision. The benefits of such extension would accrue to those WTO Members with many geographical indications protected under formal registration systems policed and enforced by the government. The burdens will fall on those Members with few geographical indications, those that protect geographical indications through trademark and unfair competition regimes, and those Members with domestic food industries that have for many years used, in marketing their products domestically and abroad, geographic terms that originated in countries from which the founders of those industries emigrated for economic, political, or religious reasons. For the latter Members, the benefits would be few. In light of the considerations expressed in this paper, we believe that the below issues are relevant to, and should be included in, any discussion related to expanded protection of geographical indications:

- The definition of geographical indications and application of Article 22.1.
  - The impact of the principle of territoriality on implementation of Section 3 of Part II of the TRIPS Agreement.
  - The interaction between trademarks and geographical indications in light of relevant TRIPS provisions, such as Articles 16 and 24.
  - The cost differential between Article 22 vs. Article 23 protection.
  - The exceptions set forth in Article 24.
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