HOW IMPORTANT ARE GEOGRAPHICAL INDICATIONS IN TRADE RELATIONS BETWEEN THE EUROPEAN UNION AND THE UNITED STATES?

Andżelika Kuźnar, Ph.D.¹

Abstract

The European Union creates many common standards which have to be obeyed by its member states. What is more, it also pushes other countries to accept some of its standards in international treaties. One of the areas in which the EU has vital interests in creating common rules are geographical indications (GIs), as part of the system of intellectual property rights (IPRs) protection. This area is regulated at the European level and all member states had to implement appropriate rules to their legal systems. The EU is also making constant efforts to increase the level of international protection of IP rights in WTO level and in its bilateral trade relations. This is not an easy task, as for example the current talks with the United States show.

TTIP negotiations revealed the importance of geographical indications in mutual trade relations, not only in this particular agreement but also in other RTAs negotiated by both the USA and EU. The commercial value of European GI-protected goods is one of the reasons of why there are strong lobbying pressures in the EU to increase the level of worldwide protection of GI. At the same time the American firms are interested in maintaining the status quo. This might be to some extent surprising as both the EU and the USA are recognized world leaders in terms of the level of IPR protection. They both have a long history of protecting IP rights justified among others by its importance for development of international trade. Higher level of IP protection provides incentives for firms to engage their resources in costly R&D as they can appropriate the returns to producing knowledge. As a result they produce more IP-intensive goods and are important providers of such goods in international trade. There are researches proving that the intensity of such trade depends on the level of IP protection.

The paper² presents the European model of GI protection as compared to the American and multilateral approaches. The aim of the paper is to determine the reasons of the lack of compromise between the European Union and the United States in terms of the desired level

¹ Institute of International Economics, Warsaw School of Economics
² This project is funded by National Science Centre of Poland on the basis of the decision Nr DEC-2013/11/B/HS4/02126.
of GI protection and to assess the possibilities of finding a common ground of talks in this area.

The paper is divided into introduction, four sections, and conclusions. The first section explains the economic rationale that justifies legal protection of GIs. In the second section the provisions relating to GIs in the European law are analysed. The next section is devoted to regulations of this subject in the U.S. legislation. The last section presents the European and American systems compared to provisions on GI in TRIPs.

**Keywords:** intellectual property rights, geographical indications, TRIPs, TTIP

**JEL codes:** F15, O34, F13
Introduction

The European Union creates many common standards which have to be obeyed by its member states. What is more, it also pushes other countries to accept some of its standards in international treaties. One of the areas in which the EU has vital interests in creating common rules are geographical indications (GIs), as part of the system of intellectual property rights (IPRs) protection. This area is regulated at the European level and all EU member states had to implement appropriate rules to their legal systems. The EU is also making constant efforts to increase the level of international protection of IP rights at the WTO level and in its bilateral relations. This is not an easy task, as it is revealed for example by the current talks with the United States which aim at creating the Transatlantic Trade and Investment Partnership (TTIP).

TTIP negotiations revealed the importance of geographical indications in mutual trade relations, not only in this particular agreement but also in other RTAs negotiated by both the USA and EU. The commercial value of European GI-protected goods is one of the reasons of why there are strong lobbying pressures in the EU to increase the level of worldwide protection of GI. At the same time the American firms are interested in maintaining the status quo. This might be to some extent surprising as both the EU and the USA are recognized world leaders in terms of the level of IPR protection. They both have a long history of protecting IP rights justified among others by its importance for development of international trade. Higher level of IP protection provides incentives for firms to engage their resources in costly R&D as they can appropriate the returns to producing knowledge. As a result they produce more IP-intensive goods and are important providers of such goods in international trade. As some theoretical and empirical studies show, the level of IP protection influences the intensity of trade [see for example: Maskus and Penubarti, 1995; Smith, 1999; Falvey, Foster and Greenaway, 2009; Folfas and Kuźnar, 2014; Kuźnar and Prześdziecka, 2015].

The on-going negotiations of TTIP have resulted in a return to the debate on the desirable method and level of protection of geographical indications. Surprisingly (taking into account present models of protection), it seems that the United States and the European Union share quite similar history of protecting local products. At the same time, there are cultural and ideological differences between them which make multilateral (WTO) and bilateral\(^\text{3}\) (TTIP) talks harder to end in an mutually satisfactory agreement. For many European countries protection of GI is a way of preserving traditional methods of production and ways

\(^3\) TTIP will not be a typical bilateral agreement. It is going to be a mixed agreement, with the U.S. as one party, and the EU and its member states as the other party.
of life, especially if continuous loss of identification in the process of harmonization of European law is taken into account. Commercial reasons are also very important, but they seem to be the main argument in the U.S. According to Agdomar [2007] the theoretical foundations of the U.S. intellectual property rights (including trademarks) are utilitarian. It basically means that giving the creators and inventors exclusive and transferrable rights to their works creates incentives to invest in them as their efforts may bring them economic benefits.

The EU’s policy on GI affects both the member states and third countries, because it was the EU that greatly influenced the final shape of TRIPs agreement, which is binding for all WTO members. The U.S., even though not very enthusiastic about the European proposals, agreed for TRIPs provisions regarding the GIs and accordingly amended its domestic trademark law. But differences remain and have been highlighted on the occasion of TTIP negotiations.

The goal of this paper is to determine the reasons of the lack of compromise between the European Union and the United States in terms of the desired level of GI protection and to assess the possibilities of finding a common ground of talks in this area.

The paper is divided into four sections. The first one explains the economic rationale that justifies legal protection of GIs. In the second section the provisions relating to GIs in the European law are analysed. The following section is devoted to regulations of this subject in the U.S. legislation. The last section presents the European and American systems compared to provisions on GI in TRIPs.

1. The economic rationale justifying protection of geographical indications

Geographical indications can be defined as signs (names) used on products that underline a specific geographical origin and point out qualities, reputation or other characteristics essentially due to that origin. GIs can (but do not have to) refer directly or indirectly to the name of the place where the product comes from (e.g. Parma ham), though it is sufficient that they refer to the characteristics essentially attributable to the geographical origin of product (e.g. Feta cheese). In both cases however, the qualities or other characteristics (such as reputation) must derive from the geographical place of production and a sign can function as a GI only if it identifies a product as originating in the territory of a particular country, or a region, or a locality there (see for example WIPO’s definition at: http://www.wipo.int/geo_indications/en/ or WTO definition in Article 22 of TRIPS).
The place of origin may be used as a quality signal, reducing the asymmetry of information, and resources of the region (such as production techniques, species, landscape, culture, etc.) may be captured as quality attributes that increase the value of GI-labelled products\textsuperscript{4} [Pacciani et al., 2001].

There are three basic objectives pursued through GI protection, i.e. producer protection, consumer protection and rural development\textsuperscript{5} [WIPO, 2009 b]. They are shortly explained below.

The logic behind the producer protection is as follows. Because origin-labelled products can acquire commercial value and therefore be exposed to the risk of misuse or counterfeiting, legitimate producers are exposed to financial loss. For some producers, associating certain products with qualities or tradition having source in a particular geographical place has become a strategic tool for differentiation and the opportunity to move away from commodity markets (with prices declining in time) into more lucrative niche markets. Thanks to GI protection they are able to benefit from the creation of collective monopolies\textsuperscript{6} and achieve an economic rent\textsuperscript{7} [WIPO, 2009 b]. Without any legal protection, GI would be just a public good that anybody could use and its reputation as a free rider. So, as a producer protection tool GIs prevent the misappropriation of benefits and free riding on reputation.

The need for consumer protection through GI can be explained by the following reasoning. Consumers’ growing awareness of quality of products (foods in particular) observed in the last decades results in increasing demand for products which can be associated with certain places or methods of production. At the same time, consumers may be confused as to the origin or quality of a product, because of market distortions based on the asymmetry of information between sellers and buyers. The latter adopt various strategies to protect themselves against unfair behaviour of producers who sell lower quality products at the price of higher quality goods. One of these strategies is a willingness to pay a premium for reputation. In response, producers adopt strategies for creating such reputation, which involve a period of initial investment in reputation. Premium prices at which high quality products are

\textsuperscript{4} The economic rationale for the protection of the earliest types of trademark has also derived from the indication of the geographical origin of goods through the use of distinctive signs [WIPO, 2009].

\textsuperscript{5} All these arguments can be found in the preamble of the EU Regulation No 1151/2012 of 21 November 2012 on quality schemes for agricultural products and foodstuffs.

\textsuperscript{6} Producers within the geographical region who comply with the code of practice are granted monopolistic rights against producers outside the region, similar to those of trademarks owners. However, for producers located in the specific region, GIs retain “club good” characteristics with excludability of benefits and non-rivalry in benefits to GI right-holders [Benavente, 2013].

\textsuperscript{7} According to Chever et al. [2012] in 2011 EU-27 GI products were sold on average 2.23 times as high as non-GI products. The premium rate for wines was estimated at 2.75, for spirits at 2.57 and for agricultural products and foods at 1.55.
sold, represent the return on that investment [Shapiro, 1983]. In order to successfully use reputation as a means of overcoming market failure, it should be protected – or “institutionalised” [Belletti, 1999], for example through geographical indications (or trademarks) that signal a certain level of quality [WIPO, 2009 b]. GI gives a guarantee to consumers that the product is authentic, made according to a producer specification, controlled by an independent certifying body, and most significantly – owes its specific characteristics to production in the particular area. So, as a consumer protection tool GIs address information asymmetries and quality [WIPO, 2009 b].

The third dimension of GI protection – rural development – is especially visible in the European policies. Pacciani et al. [2001] emphasize the potential of GIs to improve rural livelihoods and, thus, influence positively rural development. Thanks to protection, rural communities can extract rents based on the interaction between geographical conditions and local know-how. The positive economic aspects of GIs that influence development of rural areas may include job creation, limitation of rural exodus, a stable source of income derived from the usage of indigenous knowledge which can be preserved, conservation of biodiversity and cultural landscapes, preservation of natural resources, more investments, potential increase of tourism to the region (wine routes, cheese museums, etc.).

Despite these economic rationales for GIs protection, there are controversies among countries with respect to the nature and the scope of the protection. They are reflected in different legal approaches to GI protection, represented by the sui generis model on the one hand, and existing intellectual property and unfair competition laws on the other. The first approach is used in the EU8, whereas the second one – in the USA.

2. Provisions on geographical indications in the European Union

In 1992 the European Union adopted regulation [EEC,1992] on the protection of geographical indications and designations of origin for agricultural products and foodstuffs which became the first legal instrument to cover all agricultural products9 (including beers) (except wines and spirits, for which specific regulations apply10). It was replaced in 2006 [EC,
and more recently in 2012 by Regulation No 1151/2012 [EU, 2012]. There is a strong link between quality and the geographical origin in this Regulation, contributing to the development of the European quality policy, responding to the consumers’ increasing attachment to the quality of foodstuffs.

Under Regulation No 1151/2012 two categories of protected names for agricultural products and foodstuffs are recognized: protected designations of origin (PDO) and protected geographical indications (PGI)\textsuperscript{11}. In both cases products have to originate in the region, specific place or country whose name they bear (this linkage indicates similarity with the French concept of \textit{terroir}\textsuperscript{12}). Stricter additional conditions must be met by products to qualify for PDO than PGI (making PDO \textit{de facto} a subset of PGI), i.e.:

- protected designations of origin – for products closely associated with the area whose name they bear; the quality or characteristics of the product must be essentially or exclusively due to the particular geographical environment of the place of origin; the whole production and processing and preparation of the final product must take place in given geographical area using recognised know-how (for example cheese Roquefort which owes its characteristic blue veins and strong, salty taste to milk of the local sheep, and to the mould \textit{penicillium roqueforti} existing in the caves nearby);

- protected geographical indications – for products attached to the region whose name they bear; the link between quality and/or reputation and/or other characteristics of the product and the place of origin may be more flexible (does not need to be essential or exclusive as in PDO, so for example it could just be reputation of the product to its Bacchus database). For spirit drinks [EC, 2008 b], the system is still centred on a list of names in annex to the spirit drinks regulation, which serves as the register (E-Spirit drinks database). The two instruments of protection in wines have been replaced by the PDO and PGI respectively. For spirits there is one instrument, the geographical indication.

\textsuperscript{11} A parallel scheme of protection is provided for products that are not geographically but methodologically distinct (a product must have features that distinguish it from other products belonging to the same category). This is the Traditional Specialities Guaranteed (TSG) scheme, which also highlights the traditional character of products. It is available for products that are produced using traditional materials or are characterized by a traditional composition or way of processing (as in case of mozzarella cheese). These provisions are now under the EU new Quality Schemes Regulation, which in 2012 simplified the regime for several quality schemes by putting them under one single legal instrument. Previous regulations on agricultural products and foodstuffs as TSGs (Council Regulation (EC) No 509/2006 of 20 March 2006) and on the protection of geographical indications and designations of origin for agricultural products and foodstuffs (Regulation (EC) No 510/2006) have been repealed and replaced by Regulation (EU) No 1151/2012 of 21 November 2012 on quality schemes for agricultural products and foodstuffs. See the “DOOR-database” for information regarding registered and applied for PDOs, PGI\textsuperscript{s} and TSG\textsuperscript{s}, available at \url{http://ec.europa.eu/agriculture/quality/door/list.html}.

\textsuperscript{12} This French term does not have a direct translation to English. The Merriam-Webster Online Dictionary defines it as “the combination of factors including soil, climate, and sunlight that gives wine grapes their distinctive character” [Merriam-Webster Dictionary]. The \textit{Appellation d’Origine} system was based on a notion of \textit{terroir}, which privileged physical geography – it was based on an assumption that a quality of product can be guaranteed and fraud prevented by ensuring that it originated from the place indicated on the label.
geographical origin and not the actual characteristics of the product that is the determining factor for registration); it is sufficient that at least one of the stages of production, processing or preparation can be “attributable” to geographical region where it originates (for example the specification of Rogal świętomarciański, a croissant coated with icing and sprinkled with chopped nuts, demonstrates its reputation and association with Poznań and the entire region13) [European Commission, 2004].

Across the EU, consumer appreciation of the difference between PDO and PGI is not great (on average 8% in EU, but in Greece – over 50% and in Italy – 16%), but some producers in certain member states strongly support the difference (mainly those whose names are registered as PDOs), considering this fact as a factor distinguishing product on the marketplace [WIPO, 2009 a].

Once a GI (whether PDO or PGI) is registered at the EU-level, it enjoys protection under the provisions of Article 13 of Regulation No 1151/2012. In short, this article prescribes that certain actions are prohibited, i.e.:

a) direct or indirect commercial use of a registered name on products not covered by the registration;

b) misuse, imitation or evocation, even if the true origin of the products or services is indicated or if the protected name is translated or accompanied by an expression such as ‘style’, ‘type’, ‘method’, ‘as produced in’, ‘imitation’ or similar;

c) false or misleading indication as to the provenance, origin, nature or essential qualities of the product;

d) other practice liable to mislead the consumer as to the true origin of the product.

Similarly to French practice, the EU does not allow for registrations of generic names as geographical indications. When a name of the product has lost it distinguishing nature, then the geographical name passes into current use and is used as a designate of the product category. However, protected indications will never become generic in the EU (as might happen in case of trademarks if its owner does not assert his rights). They also do not need any renewal procedures, which is the case of trademarks.

According to the European regulations, if there is already registered GI, a trademark cannot be registered in the same class of product. However, if a prior trademark enjoys reputation, is renowned and long used, in other to avoid misleading consumers as to the true

---

identity of the product, the GI cannot be registered. There are also cases, where trademarks and GIs can coexist (a conflicting trademark can be used if it was applied for, registered or used in good faith before the date of protection of GI in the country of origin).

Similar rules apply for the protection of indications relating to wines and are contained in Regulation (EC) No 479/2008 on the common organisation of the market in wine.

The level of GIs protection in the EU is high (as compared to the United States and international agreements, such as TRIPS). A strong reason for that is the economic significance of GI-labelled products. There are not comprehensive datasets giving a full and detailed picture, but the latest available data show that in 2010 the worldwide sales value of GI products registered in the EU-27 was estimated at €54.3 billion. GIs represented 5.7% of the total food and drink sector in the EU-27. France was the leading country with sales value of €20.9 billion (with 75% share for wines, 15% for agricultural products and foodstuffs and 10% for spirits), the second was Italy with sales of GIs accounting for €11.8 billion (51% for agricultural products and foodstuffs, 48% for wines and 1% for spirits). The two next were Germany (€5.7 billion) and the United Kingdom (€5.5). The following countries in terms of sales value were Spain, Portugal, Greece, Austria, Ireland, Hungary and Poland.

19% of GIs sales value was exported to extra-EU markets. The United States was the largest importer of EU GI products, with €3.4 billion value of imports (GIs accounted for 30% of total food and beverages imports from the EU). Main exporting countries were France, the United Kingdom and Italy. Products originating from these three countries represented 86% of total extra-EU exports of GI products. What is more, exports were concentrated in a very small number of designations: Champagne and Cognac in France; Scotch Whisky in the UK; Grana Padano and Parmigiano Reggiano in Italy [Chever et al., 2012].

The greatest number of registration is currently for fruit, vegetables and cereals, followed by cheeses and meat products (wines and spirits are excluded from this statistics). Together these three classes account for almost 60% of all registrations. Fresh meat, oils and fats are also well represented (see Fig. 1).
Apart from the economic reasons, there are also cultural or ideological basis of protection. For many European countries protection of GI is a way of preserving traditional methods of production and ways of life, especially that there is on-going process of harmonization of European law resulting in a continuous loss of identification. It is reflected, among others in a preamble of the EU Regulation No 1151/2012 which reads: “The quality and diversity of the Union’s agricultural, fisheries and aquaculture production is one of its important strengths, giving a competitive advantage to the Union’s producers and making a major contribution to its living cultural and gastronomic heritage. This is due to the skills and determination of Union farmers and producers who have kept traditions alive while taking into account the developments of new production methods and material”.

3. Comparison of provisions regarding geographical protection in the United States and the European Union

Methods of protecting geographical indications differ in the U.S. and the EU, but Americans also have relatively long tradition of protecting locally-made products. Contrary to solutions in the EU, protection of GIs nowadays in the United States is mainly based on trademark regime and unfair competition law, in which geographical indications are not considered as a separate, independent intellectual property right. The last is the feature of sui generis legislation, providing protection of GIs in the EU. In that legal regime GIs are
considered so unique in their characteristics that they cannot be treated as a part of a wider concept. Moreover, trademark regulations are not recognised in Europe as a useful tool for protecting GIs, as the trademark laws are transferable whereas GI rights are not (which conforms to the concept of *terroir*, i.e. something that cannot be relocated\textsuperscript{14}). Another difference between the two systems is that the public law approach is used in the EU whereas there is a private law approach used in the USA. According to the first approach, the public authorities in the EU are responsible for GI protection (enacting legislation, organisation of inspection system, official recognition of GIs, enforcing protection)\textsuperscript{15}, while in the USA the protection is primarily based on private actions of associations of producers themselves\textsuperscript{16} [European Commission, n. d.], that are also responsible for defending their rights in case of violation of IPR. Also the issue of adhering to quality requirements is irrelevant for the U.S. Patent and Trademark Office (USPTO), where trademarks are registered.

The USPTO holds the view that GIs serve the same functions as trademarks, which are: source-identifiers, guarantees of quality, valuable business interests\textsuperscript{17} and they do not separate laws to protect them.

Protection of GIs was first incorporated into U.S. law by the Lanham Act in 1946\textsuperscript{18}. It is applicable to all goods (agricultural and/or industrial) and services. Traditionally geographical names were excluded from protection under trademark law (which has been justified by the need to enable using the names by all producers in a given territory and not their owners only), but Lanham Act changed this rule and introduced certification and collective marks, since then used as a main method for protection of GIs in the U.S.

The term “certification mark” is defined as a mark used by a person other than its owner to certify geographic origin or certain standards met (e.g. quality or other characteristics of the good/service) or work performed by member of a union.

The owner of the certification mark does not use it (because he does not produce the goods) but controls use of the mark by others, who apply it to goods or services to indicate to consumers that the standards set forth by the certifier are met. That means that various producers in the relevant region are allowed to use specific (geographic) certification mark. Moreover, the owner cannot deny anyone from using it as long as the characteristics that the

\textsuperscript{14} This feature is also reflected in tradition of using a term “appellation of origin” parallel to GIs in *sui generis* systems of protection.
\textsuperscript{15} It is called *ex officio* protection – from Latin meaning “from the office”.
\textsuperscript{16} It is called *ex parte* protection – from Latin meaning “from (by or for) one party”.
\textsuperscript{17} http://www.uspto.gov/learning-and-resources/ip-policy/geographical-indications/office-policy-and-international-affairs-0
\textsuperscript{18} Trademark Act of 1946; amended is available at: http://www.uspto.gov/web/offices/tac/tmlaw2.pdf
mark certifies are maintained. So certification marks are not exclusive but must be available to all [Monten 2005]. In this respect they are similar to the French Appellation d’Origine or just the European understanding of geographical indications according to which the right to label a product with GI is open to all qualifying producers within the defined region. It is a big difference when compared to regular trademarks, which grant monopolistic IP rights to a single owner.

Contrary to the European solutions, certification marks are not controlled by any governmental bodies, but still they are perceived by consumers as symbols of quality certified by issuing entities. Willingness of American specialty producers of food to benefit from such consumers’ recognition resulted in a series of protections for local produce19, especially after the EU’s regulations in 1992 gave new privileges to the European foodstuff producers.

As in the European regulations, generic names cannot be protected under trademark law in the U.S. too. There are many debates between the EU and the U.S. whether GIs are generic or not. From the European perspective it has two main consequences. One referring to all goods and the other one to wines and spirits.

As a general rule applying to all goods, only marks that are distinctive can be protected. Therefore GIs (but also trademarks) that became generic cannot be afforded protection – they no longer refer to a unique region, so they lack distinctiveness. Therefore producers from any place can use such names freely. This is a case of many European producers on the American marketplace, especially that the U.S. relatively often deems GIs generic or semi-generic. In such case, many products protected in the EU are not worth protection in the U.S. (for example parmesan, bologna ham, feta, gorgonzola, champagne).

Geographical indications in wines and spirits are protected by the Alcohol and Tobacco Tax and Trade Bureau (TTB). In general, there is a higher level of protection for names of wines and spirits than for other goods. GIs for wines fall into one of three categories: generic, semi-generic or non-generic. Generic terms are defined as “designation of a class or type of wine”20 and can be used on labels freely (so they do not enjoy protection at all). Semi-generic names are defined in the same way, but they still have some potential to distinguish a specific origin, as for example champagne. They can be used to designate wines of an origin other than that indicated by such name only if the label also indicates the true appellation of origin. In other words, producers may label their wine Californian Champagne. Allowance for such semi-generic terms in the U.S. is the most problematic for many European producers of

19 Some examples include Idaho potatoes, Florida oranges, Virginia ham.
20 For example: Vermouth, Sake.
wine. Non-generic names are those that truly indicate the specific origin of a product \[^{21}\] [TTB.gov]. They cannot be used by producers from outside the area specified by the indication, even if true origin of product would be stated. This is a level of protection comparable to PDOs and PGI in the EU.

Another type of trademarks that may refer to a geographical name to indicate the specific qualities of goods are collective marks. According to the Lanham Act, they are defined as marks “used by the members of a cooperative, an association, or other collective group or organization” [TMEP, 2015]. A commercial use of collective marks in the USA is limited to the members of the group. This feature differentiates them from certification marks that on contrary are open to anyone who complies with the standards defined by the holder of the mark. That implies that stronger registration rules apply to certification marks (as goods must meet specific requirements). Another difference between these two types of marks is that collective marks designate the source of the product in relation to a certain group of producers and not in geographical terms. Therefore they do not put emphasis on the origin of production and thus quality of reputation linked to that place.

Finally, GIs can be protected as regular trademarks. It is possible to register geographic term as a trademark only if the name is not misleading consumers, and it has acquired “secondary meaning” or “distinctiveness”. The primary meaning to consumers is the geographic place; the secondary meaning is the manufacturing source (brand name), which no longer describes only the geographical source (for example cream cheese Philadelphia). Trademarks identify a good or service as originating from a particular company and give it monopoly rights. They are transferable rights – can be assigned or licensed to anyone anywhere in the world.

4. **Relation of EU’s and U.S.’ provisions of GIs to TRIPs**

Despite differences in legal systems between the EU and the USA regarding the protection of GIs outlined above, they had to compromise when negotiating World Trade Organisation Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs). Despite strong initial U.S. objections in terms of including GIs at all into the scope of TRIPs, it was mainly

---

[^{21}]: According to EU - USA Agreement on wines of 2006, the U.S. will limit the use of 17 semi-generic names in the US market: Burgundy, Chablis, Champagne, Chianti, Claret, Haut Sauterne, Hock, Madeira, Malaga, Marsala, Moselle, Port, Retsina, Rhine, Sauterne, Sherry and Tokay [U.S./EC Wine, 2006].

[^{22}]: Some examples include: Bordeaux Blanc, Bordeaux Rouge, Graves, Medoc, Liebfraumilch. More extensive list can be found at: TTB, Subpart C – Foreign Nongeneric Names of Geographic Significance [http://www.ecfr.gov/cgi-bin/text-idx?SID=1ab020af65ad674bc5ed49d995065ff1&mc=true&node=sp27.1.12.c&rgn=div6](http://www.ecfr.gov/cgi-bin/text-idx?SID=1ab020af65ad674bc5ed49d995065ff1&mc=true&node=sp27.1.12.c&rgn=div6)
the EU’s negotiators success to convince the U.S. representatives that TRIPs should also refer to GIs as separate intellectual property rights. On the other hand, the EU had to agree to the multilateral level of protection that is lower than in the EU. It also had to give up the requests of establishing an international register of GIs for wines and spirits. The provisions of TRIPs and their relations to the European and American systems of protection of GIs are presented below.

First of all, TRIPs provides a definition of GI (Article 22). The definition and it explanation is presented in table 1.

**Table 1 Definition of geographical indications in TRIPs**

<table>
<thead>
<tr>
<th>GIs are …</th>
<th>Comments for agricultural, fisheries, and foodstuff product</th>
</tr>
</thead>
<tbody>
<tr>
<td>… indications</td>
<td>names of places compound names other names and <strong>non-geographical names are possible</strong> logo, graphic or visual representation</td>
</tr>
<tr>
<td>… which identify a <strong>good</strong> …</td>
<td>the indication must be understood by the consumer to describe a specific product</td>
</tr>
<tr>
<td>… as originating …</td>
<td>the indication must show the consumer that the product has a particular origin</td>
</tr>
<tr>
<td>… in the territory of a country or region or locality</td>
<td><strong>in a geographical place</strong></td>
</tr>
<tr>
<td>… where a given</td>
<td></td>
</tr>
<tr>
<td>… <strong>quality</strong> of the good</td>
<td>specific chemical composition (sugar level, acidity, ingredients), physical attributes (size, shape, colour, texture, appearance…), microbiological, organoleptic, etc.</td>
</tr>
<tr>
<td>… <strong>or reputation</strong> of the good</td>
<td>the public knows of the specific product originating in that place (agronomic literature, newspapers, books, consumer survey…)</td>
</tr>
<tr>
<td>… <strong>or other characteristic</strong> of the good</td>
<td>other characteristics possible – such as traditional or indigenous knowledge</td>
</tr>
<tr>
<td>… is <strong>essentially attributable</strong> to its origin.</td>
<td>the quality or reputation must be due to its origin. There is a link between the product and its original place of production. The “essentially attributable” link can be due to environmental factors and/or the traditions or skills or know-how of the local/indigenous population. The link to origin must be demonstrated or justified.</td>
</tr>
</tbody>
</table>

Source: European Commission, 2013, own emphasis added
There are different levels of protection possible, depending on the category of products (which are all goods, whether agricultural, natural or manufactured). According to Article 22, all GIs are granted a **minimum standard of protection**, which means that producers not located in the designated region are prohibited to use a given GI if such usage could potentially mislead consumers as to the origin of the goods or constitutes unfair competition. This level of protection is quite low, if compared to the EU’s standards. In fact, this provision is easy to circumvent, by using so called *corrective labels*, that is terms which indicate that the good carrying the specific GI actually does not have the geographical origin represented by the GI. Corrective labels could contain words such as “style”, “type” and “imitation”. That means that for example *Grana Padano-style cheese, produced in the USA* is fully legitimate labelling according to TRIPs.

A **higher level of protection** is established in Article 23 for wines and spirits. GIs identifying wines and spirits not originating in the place indicated by the geographical indication is prohibited even if the public is not misled, there is no unfair competition and the true origin of the good is indicated or the GI is accompanied by corrective labels. That is why TRIPs would prevent use of the GI *Liebfraumilch-type wine made in the USA*. This absolute protection of GIs for wines and spirits corresponds to the EU’s level of protection of GIs granted to all products (within the scope of the EU-level regulations).

Article 23 also regulates *homonymous* GIs, but only with regard to wines and not to spirits. If there are two indications from different geographical regions but identically named and produce similar products (as for example Rioja produced in Argentina and Spain), protection can be granted to both indications. It must be assured however that consumers are not misled.

TRIPs also regulates *relationships between GIs and trademarks*. In case of all goods, trademarks which conflict with GIs should be invalidated or registration should be refused, if use of such trademarks could mislead consumers as to the true place of origin (Article 22.3). In relation to wines and spirits this condition does not have to be met (Article 23.2) (the public does not have to be misled in order to have remedy actions applied). There is a 5 year time limit during which proceeding must be initiated should the conflicting trademark be invalidated (Article 24.7). These provisions in general favour GIs over trademarks.

There are however limitations and **exceptions** to these general provisions regulated in Article 24 that weaken the position of GIs. These exceptions are based on the following rationales [Flodgren, 2010]:

15
1. **generic names** – there is no obligation to protect GI if the term has become generic; each country is free to decide which terms it considers as generic; that is why for example American generic names of European foods and also semi-generic of wines comply with TRIPs regulations;

2. **prior good faith trademark rights** – in other words, this is a *grandfather clause* according to which a prior trademark identical or similar to GI in question takes precedence over a later GI; this is a reason why Italian producers of *Parma ham* cannot use that GI in Canada (and the term „N.I ham” is used instead), where a trademark on this name was registered some 30 years ago;

3. continued and similar use of geographical indications for wines and spirits – under certain circumstances it may be allowed to use GI identifying wines or spirits registered in another country; for example *Chablis* is a generic name for white wine in the U.S. and it still can be used despite the fact that it is also a GI in France.

Each WTO member state is free to determine the method of implementing the provision of TRIPs. They are also free to implement more extensive protection – which is the case of, for example, the EU. The U.S. has amended Lanham Act in order to comply with the minimum standards of TRIPS, but the EU claims that disparities remained [Monten, 2005].

Taking into account different provisions relating to wines, spirits and all other goods, a conclusion can be drawn that producers of different categories of goods in WTO member states are treated unequally. Inconsistencies in the level of protection among WTO members also exist, as it has been presented in case of the EU favouring greater protection, and USA, opposing such approach. These controversies remain and should be gradually removed, as Article 24 calls for future negotiations aiming at increasing the protection of GIs to the level now afforded to wines and spirits. The EU (and some other WTO members) has made proposals on extending the protection foreseen for wines and spirits to all products (to dispose of the disparity of the current system), to establish a global registry for GIs (to make the system more predictable and to prevent current non-abused GIs being usurped in the future) and to introduce a claw-back clause (to declare certain EU’s GIs whose names are used in other countries as generic or were registered as trademarks) [IP/03/1178]. The United States (and other major food exporters, such as Canada and Australia) strongly opposes the EU

---

23 In 2003 the EU has identified a list of 41 such names and requested that they become protected as recognized GIs. They are listed in the Annex to IP/03/1178.
proposal claiming that it goes too far in protecting goods against competition. So far discussions on this subject did not finish in finding a solution satisfactory for both sides.\textsuperscript{24}

**Conclusions**

Despite some commonalities of historical roots between American and European systems of GI protection, current regulations differ a lot. Whilst the U.S. claim that private trademark law is good enough to prevent consumer confusions and protect the interests of producers of genuine products, the EU’s international policy on GIs aims at increasing the level of GIs protection. It also assumes some superiority of GIs over trademarks. The EU ideas threaten the interests of U.S. producers of goods, especially of those that label their products with names considered as generic in the U.S. and which are awarded a GI protection in the EU (e.g. parmesan\textsuperscript{25}, champagne, feta). Another American group of producers that is concerned about the EU’s proposals are the successors of the immigrants from Europe who centuries ago started their business in the U.S. using the culture, traditions and native names from Europe (as for example many U.S. winemakers, cheese and meat producers). Arguments are also raised that consumers might be more confused if certain products would have to be re-named than they potentially are now under the current system.

In response, the EU replies that for many European food producers a labelled name is closely associated with tradition, specific agricultural techniques, a way of life and obviously – the quality of a product. Therefore it is not possible to produce the same quality Champagne or Parmesan in the USA or anywhere outside the designated region in France or Italy. The EU also underlines that trademarks do not provide the relationship between the product and the territory, which is the essence of GI. Moreover, trademarks are exclusive individual rights, that can be sold and delocalised. On the contrary, GIs are accessible to any producer of the region concerned and cannot be transferred to anybody else.

Clearly, the GIs are the source of disagreement between the EU and the U.S. and other WTO member states. It has been recently revealed in TTIP negotiations, where GIs became one of the crucial topics in the area of intellectual property rights. A mutually satisfactory solution has still not been found, but probably finally both sides will compromise to the extent that allows for regulations acceptable for both the EU and the U.S., especially that the U.S. is not really opposing GI protection as such and has incorporated effective system of

\textsuperscript{24} See more at: https://www.wto.org/english/tratop_e/trips_e/gi_background_e.htm#protection

\textsuperscript{25} Kraft Foods, which produces parmesan cheese in the USA since 1945, is no longer allowed to sell its product in EU under this name and Pamessello is used instead. Under the EU proposal Kraft would not be allowed to sell Parmesan cheese in the U.S. as well.
(geographic) certification marks. What works against them and is shown by the arguments of both sides and the level of tension between them in this subject are the cultural and ideological differences. And these are very difficult to overcome.

References


Chever T., Renault C., Renault S., Romieu V., September 2012, Value of production of agricultural products and foodstuffs, wines, aromatised wines and spirits protected by a geographical indication (GI), http://ec.europa.eu/agriculture/external-studies/value-gi_en.htm

EC, 2006 a), Regulation (EC) No 510/2006 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs

EC, 2006 b), Council Regulation (EC) No 509/2006 of 20 March 2006 on agricultural products and foodstuffs as traditional specialities guaranteed


European Commission, n. d., Geographical indications and TRIPs: 10 Years Later... A roadmap for EU GI holders to get protection in other WTO Members


http://ec.europa.eu/agriculture/quality/door/list.html

http://www.ecfr.gov/cgi-bin/text-idx?SID=1ab020af65ad674bc5ed49d995065ff1&mc=true&node=sp27.1.12.c&rgn=div6


WIPO, 2009 b, The Economics of Intellectual Property. Suggestions for Further Research in Developing Countries and Countries with Economies in Transition