

LA TUTELA INTERNAZIONALE
DELLE INDICAZIONI GEOGRAFICHE DEI PRODOTTI AGROALIMENTARI

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*The decisions adopted by the Dispute Settlement Body within the WTO system on
GIs and the protection of quality of agrifood products*

ABSTRACT

The TRIPS Agreement and the protection of IP rights on agrifood products accommodates different manners of implementation (trademark system/*sui generis* system/unfair competition) as defined in Article 22 of the same treaty. While, on the one hand, it does not require registration as a constitutive element, on the other hand, it provides for both a limited coexistence between TMs and GIs (typical of the EU system), and the ‘strict first-in-time, first-in-right’ approach (as in the US system). Moreover, it is covered by the WTO dispute settlement system.

Starting from the early 2000s, a number of WTO Members have argued that the EU scheme for the protection of GIs was “TRIPS-deficient”. They affirmed exactly both that: (i) “Non-EC nationals wishing to obtain protection for their GIs in the EU face a non-transparent process that appears to come into some conflicts with the EU’s TRIPS obligations”, and that (ii) “EC rulemaking processes are often perceived by third countries as exclusionary, allowing no meaningful opportunity for non-EU parties to *influence the outcome* of regulatory decisions”. These statements were rendered by the US in July 2002 after the failure of the first consultations with EU, requested under Article 4 DSU (*Understanding on Rules and Procedures Governing the Settlement of Disputes*) and Article 64 TRIPS in respect of Regulation (EEC) No 2081/92 on the protection of the GIs and designation of origin for agricultural products. Together with Australia, USA expressed concern at the systematic discrimination of their trademark owners, and invoked the WTO dispute settlement procedure.

These were the premises of the well-known case on *EC Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs* (DS174/290) brought by the US (WT/DS174/20) and Australia (WT/DS290/18) against the EU Regulation No 2081/92 on GIs (foodstuffs) on three main grounds.

In brief, USA and Canada claimed that EC Regulation No 2081/92 was discriminatory, in violation of the national treatment obligations (Article 2.1 TRIPS) and the most favourable nation obligations (Articles 3-4 TRIPS and Articles I and III GATT). Namely, on the first ground, they affirmed that Non-EC GIs owners were subject to a less favourable treatment since, to obtain registration and/or protection, nationals of other WTO Member States were required to prove reciprocity and equivalence under Article 12 EC Regulation No 2081/92.

The claimants affirmed that the application of such a provision was requiring the Non-EC State of the GI's owner to provide for: (i) identical or equivalent guarantees (receive all the applications, consider whether they are consistent with the relevant EC Regulation, forward to COM, etc.); (ii) equivalent inspection arrangements and continued monitoring mechanism; (iii) equivalent, reciprocal protection through intercession by the same foreign government in European GI application and objection process. In their view, these unjustified discriminatory conditions could be demonstrated also by numbers: 700 EC GIs were detected *vis à vis* zero by Non-EC.

Secondly, in their opinion, Regulation No 2081/92 was inconsistent with Article 16.1 TRIPS that should be read as ensuring that a trademark owner may "prevent the use of GI which would result in a likelihood of confusion with a valid prior trademark" (*ex ante*). Finally, the claimants contested that Regulation No 2081/92 was inconsistent with Article 24.5 TRIPS, since it failed to provide sufficient protection to pre-existing trademarks that were similar or identical to a GI (*ex post*).

The dispute was based on the very same clash of two different approaches (as it was apparent from the long-lasting *Budwieser* controversy). While USA and Canada were concerned that GIs should not be given precedence over trademark rights, affirming the applicability of the 'first-in-time first-in-right' principle enshrined in their trademark law rules; the EU was still of the idea that trademark owner cannot prevail over a GI duly registered in accordance with honest business practice.

Tackling the issue of GIs vs. trademarks, the Panel endorsed the principle of co-existence affirming that Article 17 TRIPS allows a limited exception, as that provided for by Article 14(2) EC Regulation No 2081/92, as long as: (i) a GI will not be registered if consumers will be misled by the GI as it relates to a prior trademark; (ii) a GI application is subject to direct opposition by interested parties, irrespective of their nationality (without requiring intervention by their governments). But, conversely, on the discriminatory conditions and less favourable treatment, the panel found that Regulation No 2081/92 discriminates against non-EU GI applicants and violates the national treatment and most favourable nation obligations under TRIPS and GATT1994: equivalence and reciprocity conditions should not be asked to other WTO Member States since they constitute an unjustified hurdle in obtaining both registration and protection which did not apply to GI obtained within the EU. Moreover, in the Panel's view, no intercession by a foreign (sovereign) State should be required to register, control, protect a GI in conformity with EU law: equivalence and reciprocity conditions modified the effective equality of opportunities for other WTO Member States.

As a result, the EC amended the rules of Regulation No 2081/92 and new Regulation (EC) No 510/2006 entered into force in March 2006.

Against this background, a long-debated question is still waiting for a response: the question posed since Doha negotiations was whether to extend or not the GI protection beyond wines and spirits to all products in a multilateral system of registration (as provided for by Article 24.2 TRIPS). Such scheme would most probably aid developing countries in expanding their economies by ensuring the maintenance of knowledge bases related to the growth and manufacture of traditional indigenous products. In fact, while it is true, on the one hand, that GI registration is not able *per se* to create a 'premium price', since

investments are required, on the other, it is nonetheless true that it would be able to create a virtuous mechanism of aggregation that can catalyze investments and public aid.

Maybe times are mature enough to extend GIs' functions to a different and more sustainable scope. It is argued that GI protection scheme should evolve from its original role of consolidating the 'privilège de la descende', a reputation and market appeal of niche products, to a wider aim of assuring *sustainable* non-trade benefits. To a closer view, observing GIs through the lens of the 2030 SDGs and the climate change instances, they could be referred to assure 'quality' in a broad sense, activating (i) a regeneration of the environment and countryside (conservation of local plant varieties, reward local producers, support rural diversities and social cohesion, promotes new jobs); (ii) a safeguard of both natural resources and traditional skills (as well hopefully allowing an 'evolution' towards up-to-date sustainable standards); (iii) a guarantee of food safety and health highest standards.

In this vein, and especially with regard to the superior value represented by public health, it is worth mentioning the complaint bought by Honduras initially, followed by the Dominican Republic, Cuba, Indonesia, Ukraine with respect to certain restrictions, imposed by Australia, on trademarks, geographical indications (GIs), and other plain packaging requirements, applicable to all tobacco products sold, offered for sale, or otherwise supplied in Australia (WT/DS435, 441, 458 and 467). The Australian legislator, in fact, adopted a number of tobacco-control legislative measures to "discourage the use of tobacco products, and for related purposes" regulating "the retail packaging and appearance of tobacco products in order to: (i) improve public health; and (ii) give effect to certain obligations" stemming out from the 2003 World Health Organization Framework Convention on Tobacco Control. Many of these measures had the effect of imposing fixed standards of plain packaging to all tobacco products on both internal producers (even if almost inexistent), and foreign producers and trademark owners (the vast majority). Many Member States joined the consultations stage, including EU, who joined the proceedings later, as third party intervening. Once the Panel's final report circulated appeal was proposed by Honduras and the Dominican Republic.

In extreme synthesis, in its conclusion in *Australia – Tobacco Plain Packaging* (adopted by the DSB on 29th June 2020), the Appellate Body stated that improving public health by reducing the use of or the exposure to tobacco products imposing by law certain standards on packaging of tobacco products (all imported from abroad) does not *per se* infringe relevant TRIPS provisions (Articles 15.4, 16.1, 16.3, 20, 22.2(b), 24.3), nor GATT (Article XI:4) or TBT (Article 2.2) Agreements', nor even the 1967 Paris Convention (Articles 6 *quinquies*, 10 *bis*), but must be demonstrated in the single case.

The Appellate Body upheld the Panel's finding that the complainants had not demonstrated that the Australian measures were inconsistent with that State's obligation to allow the owner of a registered trademark to prevent unauthorized use of identical or similar trademarks on identical or similar products, where such use would result in a likelihood of confusion. The Appellate Body, *inter alia*, agreed with the Panel that neither Article 16.1, any of the other provisions of the TRIPS Agreement, nor the provisions of the Paris Convention, confer upon a trademark owner a positive right to use its trademark or a right to protect the distinctiveness of that trademark through use. Therefore, in the instant case,

‘Habanos’ sign and ‘Cuban Government Warranty Seal’, *ex plurimi*, could not claim their use, since no discrimination was proven.

It is apparent that a clear choice made by the government of a Member State to improve public health even with measures that radically modify (if not, nullify) the marketing strategies of trademark owners of products that can have negative effects on its people health can prevail if no actual discrimination is produced to foreign trademark owners.

Such a result could suggest that future nudging policies could be an effective way to facilitate the necessary transition to sustainable production and consumption of food, while maintaining at the same time its ‘quality’ in broad sense, inclusive of its non-commercial values.