

## 14: Trademarks

### Article 15 Protectable Subject Matter

1. Any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, shall be capable of constituting a trademark. Such signs, in particular words including personal names, letters, numerals, figurative elements and combinations of colours as well as any combination of such signs, shall be eligible for registration as trademarks. Where signs are not inherently capable of distinguishing the relevant goods or services, Members may make registrability depend on distinctiveness acquired through use. Members may require, as a condition of registration, that signs be visually perceptible.
2. Paragraph 1 shall not be understood to prevent a Member from denying registration of a trademark on other grounds, provided that they do not derogate from the provisions of the Paris Convention (1967).
3. Members may make registrability depend on use. However, actual use of a trademark shall not be a condition for filing an application for registration. An application shall not be refused solely on the ground that intended use has not taken place before the expiry of a period of three years from the date of application.
4. The nature of the goods or services to which a trademark is to be applied shall in no case form an obstacle to registration of the trademark.
5. Members shall publish each trademark either before it is registered or promptly after it is registered and shall afford a reasonable opportunity for petitions to cancel the registration. In addition, Members may afford an opportunity for the registration of a trademark to be opposed.

### Article 16 Rights Conferred

1. The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would

**Trademarks**

215

result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed. The rights described above shall not prejudice any existing prior rights, nor shall they affect the possibility of Members making rights available on the basis of use.

2. Article 6bis of the Paris Convention (1967) shall apply, *mutatis mutandis*, to services. In determining whether a trademark is well-known, Members shall take account of the knowledge of the trademark in the relevant sector of the public, including knowledge in the Member concerned which has been obtained as a result of the promotion of the trademark.

3. Article 6bis of the Paris Convention (1967) shall apply, *mutatis mutandis*, to goods or services which are not similar to those in respect of which a trademark is registered, provided that use of that trademark in relation to those goods or services would indicate a connection between those goods or services and the owner of the registered trademark and provided that the interests of the owner of the registered trademark are likely to be damaged by such use.

**Article 17 Exceptions**

Members may provide limited exceptions to the rights conferred by a trademark, such as fair use of descriptive terms, provided that such exceptions take account of the legitimate interests of the owner of the trademark and of third parties.

**Article 18 Term of Protection**

Initial registration, and each renewal of registration, of a trademark shall be for a term of no less than seven years. The registration of a trademark shall be renewable indefinitely.

**Article 19 Requirement of Use**

1. If use is required to maintain a registration, the registration may be cancelled only after an uninterrupted period of at least three years of non-use, unless valid reasons based on the existence of obstacles to such use are shown by the trademark owner. Circumstances arising independently of the will of the owner of the trademark which constitute an obstacle to the use of the trademark, such as import restrictions on or other government requirements for goods or services protected by the trademark, shall be recognized as valid reasons for non-use.

2. When subject to the control of its owner, use of a trademark by another person shall be recognized as use of the trademark for the purpose of maintaining the registration.

#### Article 20 Other Requirements

The use of a trademark in the course of trade shall not be unjustifiably encumbered by special requirements, such as use with another trademark, use in a special form or use in a manner detrimental to its capability to distinguish the goods or services of one undertaking from those of other undertakings. This will not preclude a requirement prescribing the use of the trademark identifying the undertaking producing the goods or services along with, but without linking it to, the trademark distinguishing the specific goods or services in question of that undertaking.

#### Article 21 Licensing and Assignment

Members may determine conditions on the licensing and assignment of trademarks, it being understood that the compulsory licensing of trademarks shall not be permitted and that the owner of a registered trademark shall have the right to assign the trademark with or without the transfer of the business to which the trademark belongs.

### 1. Introduction: terminology, definition and scope

Trademarks (or trade marks)<sup>232</sup> are signs that distinguish the goods or services of one enterprise from those of another. They are identifiers intended to rapidly convey information to consumers. The conventional and largely uncontroversial wisdom regarding trademarks is that they reduce consumer transaction costs by allowing individuals to scan product displays and make purchasing decisions by associating signs with known qualities or characteristics of goods or services, including the reputation of producers. A secondary role of the trademark – more controversial from a legal and economic standpoint – is to facilitate producer investment in advertising and promotion in order to stimulate consumer demand; that is, to generate goodwill by self-promotion.

Part of the impetus for the overall TRIPS negotiating effort was concern over trademark counterfeiting, the straightforward misappropriation of the persona of a producing enterprise.<sup>233</sup> Although trademark counterfeiting may have benefits for consumers in a limited set of circumstances,<sup>234</sup> the practice was not defended by any group of countries during the TRIPS negotiations. In fact, many developing countries that generally opposed substantive negotiation of IPRs in the GATT as an

<sup>232</sup> U.S.-English uses the single word “trademark” and U.K.-Commonwealth English uses the separate words “trade mark” for the same subject matter.

<sup>233</sup> According to footnote 14 to Article 51 of TRIPS, counterfeit trademarked goods “shall mean any goods, including packaging, bearing without authorization a trademark which is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the rights of the owner of the trademark in question under the law of the country of importation”.

<sup>234</sup> That is, for example, when the counterfeiter offers high quality substitute goods at lower prices.

## 2. History of the provision

217

alternative pressed to limit the scope of negotiations to trademark “counterfeiting” and copyright “piracy”.

While the basic role of trademarks is generally accepted, important questions regarding the scope of protection remain. One set of issues concerns whether trademarks can and should be used to inhibit parallel trade in goods or services. Recognizing that a very high percentage of goods in international trade are identified by a trademark, rules preventing parallel importation based on trademark rights may significantly affect trade flows. Another set of issues concerns the fair use of trademarks. In what circumstances may journalists or competitors use a trademark to refer to goods or services? Does the colouring of a medicine give its producer the right to prevent others from using the same colour for another version of that medicine?

TRIPS represented a significant step in the evolution of trademark law. Just as for patents, the Paris Convention for the Protection of Industrial Property includes rules regulating the grant and use of trademarks, but it does not define the subject matter of protection. Although the European Community, in particular, had taken significant steps in the approximation of trademark law at the regional level, TRIPS for the first time defined the subject matter of trademark protection at the multilateral level.

## 2. History of the provision

### 2.1 Situation pre-TRIPS

Prior to negotiation of TRIPS, most countries granted and enforced rights in trademarks, although there were significant differences in the subject matter scope of protection, the application of conditions of use, and in procedural aspects such as renewal periods.

#### 2.1.1 The Paris Convention

The Paris Convention (1883, as revised) establishes a rule of national treatment for trademark applicants and owners (Article 2). It provides a right of priority for trademark applicants, although the period of six months is shorter than that for patent applicants (Article 4). The Convention establishes a “reasonable” period before cancellation of a mark for non-use (Article 5.C(1)). It recognizes that conditions for application will be established by national legislation (Article 6(1)) and confirms the independence of marks (Article 6(3)). The Convention addresses in a rather general way the subject of “well-known marks” (Article *6bis*). It includes rules on assignment, allowing assignment of a mark along with transfer of the portion of the business within the country that manufactures or sells the subject goods (Article *6quater*). The Convention establishes the “*telle quelle*” or “as is” rule, providing that marks must be accepted for registration in the same form as registered in the country of origin (Article *6quinquies*). It provides that countries must protect “service marks”, but does not require that they be subject to registration (Article *6sexies*). The Convention includes an undertaking to protect “collective marks” (Article *7bis*) and “trade names” (Article 8). It includes an obligation on countries to seize infringing goods, either on importation or approximate thereto (Article 9), and a provision requiring similar remedies with respect

to goods bearing false indication of source (Article 10). The Convention requires countries to protect against “unfair competition “ (Article 10*bis*), which includes acts of a nature to create confusion concerning the goods of a competitor; and to provide appropriate legal remedies to nationals of other countries (as well as associations) to effectively repress the acts referred to in Articles 9, 10 and 10*bis* (Article 10*ter*).

### 2.1.2 The GATT 1947

The GATT 1947 included several provisions addressing trademarks. Article XII:3 (c)(iii) required that in the application of balance of payment measures, Contracting Parties would not “prevent compliance with patent, trade mark, copyright, or similar procedures”. Article XVIII, Section B(10), providing safeguard flexibility for low income countries, similarly precluded interference with trademark procedures. Article XX, General Exceptions, permits measures:

“(d) necessary to secure compliance with laws or regulations which are not inconsistent with the provisions of this Agreement, including those relating to . . . the protection of . . . trade marks, and the prevention of deceptive practices.”

As discussed in Chapter 15, Article IX addresses “marks of origin” that, however, are different than trademarks.<sup>235</sup>

### 2.1.3 The Nice Agreement

The Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of Registration of Marks (1957), provides a framework for designating classes of goods and services, and is in wide use.<sup>236</sup>

### 2.1.4 Regional laws

Effort at the regional level to approximate trademark law had begun in the Andean Group in the early 1970s, and the European Community adopted the First Trade Marks Directive in 1988, shortly after commencement of the Uruguay Round.

## 2.2 Negotiating history

Concerns among U.S. and European industry groups with trademark counterfeiting were a significant factor in the launch of the TRIPS negotiations in the Uruguay Round.<sup>237</sup> Although there was a dearth of hard data concerning the phenomenon, there was a wide perception within developed country industry circles that sales

<sup>235</sup> As opposed to trademarks that indicate the *producer*, marks of origin under the GATT 1947 indicate the *territorial origin* of products. Thus, they share basic features with the more refined concept of geographical indications under Articles 22–24 of TRIPS. For a detailed explanation of the differences between trademarks and geographical indications, see Chapter 15.

<sup>236</sup> For a list of the current Parties to the Agreement, see <<http://www.wipo.org/treaties/documents/english/pdf/i-nice.pdf>>.

<sup>237</sup> On the original motivations to negotiate the TRIPS Agreement, see *Intellectual Property Rights: Implications for Development*, Policy Discussion Paper, UNCTAD-ICTSD, Geneva, 2003, p. 44 et seq. (“The emergence of TRIPS”) (also available at <<http://www.ictsd.org/iprsonline/unctadictsd/projectoutputs.htm#policy>>) [hereinafter Policy Paper].

## 2. History of the provision

219

and profits, particularly in developing countries, were being eroded by such misappropriation.

### 2.2.1 Tokyo Round developments

Towards the end of the Tokyo Round, the United States floated a proposal for an Anti-Counterfeiting Code, though this proposal was not actively pursued.<sup>238</sup> A Ministerial Declaration adopted 29 November 1982 included a Decision on Trade in Counterfeit Goods that instructed the GATT Council to “examine the question of counterfeit goods with a view to determining the appropriateness of joint action in the GATT framework on trade aspects of commercial counterfeiting and, if such action is found to be appropriate, the modalities of such action.” At the 40<sup>th</sup> Session of the Contracting Parties, in November 1984, a Group of Experts on Trade in Counterfeit Goods was convened to examine the issue. The Group met on six occasions in 1985, tabling its report on 9 October 1985. The report observed that:

“(a) while all intellectual property rights were affected, goods bearing protected trade marks were more directly affected;

(b) a growing problem of trade in counterfeit goods existed;

(c) existing provisions in international law [...] particularly the Paris Convention were very useful yet insufficient instruments to prevent trade in counterfeit goods. . . .

...

(f) any measures taken to prevent trade in counterfeit goods should not become an obstacle to trade in genuine goods.”

### 2.2.2 The 1987 U.S. proposal

The 1987 United States Proposal for Negotiations on Trade-Related Aspects of Intellectual Property Rights addressed trademarks as follows:

“Trademarks

A trademark should consist of any word, symbol, design or device, including any distinctively shaped three-dimensional object, except the generic name of the goods and services or words descriptive thereof. The term trademark should include service mark.

Exclusive rights to a trademark should derive from use or registration. Well-known marks should be protected. Trademarks which offend national symbols, policies or sensibilities should not give rise to exclusive rights.

Systems for registration of trademarks and service marks should be provided on equal terms and at reasonable costs. Owners of marks identical or confusingly similar to a mark for which registration is sought should be given the opportunity to challenge promptly such registration.

Trademarks should be registered for no less than 5 years and should be renewable indefinitely for similar terms. The trademark right should lapse if the trademark has not been used for a period of years and no special circumstances can be shown

<sup>238</sup> Frederick M. Abbott, *Protecting First World Assets in the Third World: Intellectual Property Negotiations in the GATT Multilateral Framework*, 22 Vand. J. Transnat'l L. 689 (1989).

to justify such non-use. The use of a trademark should not be encumbered by any special requirements.

Licensing of trademarks, with provision for adequate compensation for the licensor, should be permitted. No compulsory licensing of trademarks shall be permitted. Assignments of trademarks should not be unnecessarily encumbered.”<sup>239</sup>

### 2.2.3 The 1988 EC proposal

The European Communities’ 1988 submission of Guidelines and Objectives Proposed by the European Community for the Negotiations on Trade Related Aspects of Substantive Standards of Intellectual Property Rights said:

“D.3.b. trademarks

(i) The registration of a trademark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those for which the trademark is registered. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall not be required.

Protection shall, as far as possible, also extend under trademark law or other law to the use in the course of trade of any sign which is identical with, or similar to, the trademark in relation to goods or services which are not similar to those for which the trademark is registered, where the latter has a reputation and where use of that sign without due cause takes unfair advantage of or is detrimental to the distinctive character or the repute of the trademark.

Limited exceptions to the exclusive rights conferred by a trademark, which take account of the legitimate interests of the proprietor of the trademark and of third parties, may be made, such as fair use of descriptive terms and exhaustion of rights. The term trademarks shall include service marks and collective marks

(ii) Protection shall be granted for any signs capable of being represented graphically, particularly words, including personal names, designs, letters, numerals, the shape of goods or of their packaging, provided that such signs are capable of distinguishing the goods or services of one undertaking from those of other undertakings. Protection shall, in particular, be denied to marks which are (i) devoid of any distinctive character, (ii) contrary to public policy or to accepted principles of morality, (iii) of such a nature as to deceive the public, for instance as to the nature, quality or geographical origin of the goods or services, and (iv) in conflict with earlier rights.

(iii) A trademark right may be acquired by registration or by use, in particular by use resulting in a reputation of the trademark. A system for the registration of trademarks shall be maintained. Use of a trademark prior to registration shall not be a condition for registration.

(iv) Registration of a trademark may be renewed indefinitely.

(v) If use of a registered mark is required to maintain trademark rights, the registration may be cancelled only after an uninterrupted period of at least five

<sup>239</sup> Suggestion by the United States for Achieving the Negotiating Objective dated 19 Oct. 1987, MTN.GNG/NG11/W/14, 20 Nov. 1987, at Annex.

## 2. History of the provision

221

years of non-use, unless legitimate reasons for non-use exist. Circumstances arising independently of the will of the proprietor of a trademark which constitute a serious obstacle to the use of the mark (such as e.g. import restrictions on products protected by the trademark) are sufficient to constitute legitimate reasons for non-use.

The compulsory licensing of trademarks shall not be permitted. Trademarks may be transferred with or without the transfer of the undertaking to which they belong.”<sup>240</sup>

The EC had introduced a number of concepts not found in the U.S. proposal. These included exceptions for fair use and exhaustion of rights, and the possibility for “naked” transfers (that is, transfers unaccompanied by assets of the business), as well as explicit recognition that use of a trademark should not be a precondition for registration.

### 2.2.4 The 1989 Brazilian proposal

In December 1989, Brazil made the following proposal on trademarks:

#### “TRADEMARKS

##### (a) Definition

31. Protection should be granted to distinctive signs, such as names, words, denominations, monograms, emblems, and symbols which allow the differentiation of goods and services for commercial purposes.

32. A trademark should also enable the distinction between the goods or services of two undertakings and assure quality to the consumer.

33. Those signs which contain some elements that form part of an existing registration or conflicts therewith or are prohibited by law or by the Paris Convention shall not be registerable as trademarks.

##### (b) Derivation of rights

34. Protection for trademarks should derive from registration. The use of a trademark should not be a pre-requisite for registration.

##### (c) Rights conferred

33. The registration of a trademark shall confer on the owner exclusive rights therein.

36. The use, reproduction, manufacturing and non-authorised imitation by third parties, which would result in error or confusion, should be considered as a violation of the rights conferred to trademark owners.

##### (d) Protection of well-known marks

37. Protection should be provided for trademarks which are well-known in the country where such protection is granted. For that purpose, countries should examine the adoption of internal rules of protection, according to their interests and needs. Such rules may establish, for example, that well-known trademarks should be given protection in all classes and be kept on a special register so as to prevent the registration of another mark which reproduces or imitates the well-known

<sup>240</sup> MTN.GNG/NG11/W/26, 7 July 1988.



mark, when confusion may arise as to the origin of the goods or services or when the reputation of the well-known mark is damaged.

38. It is incumbent on the owner of the mark to have recourse to means provided in domestic legislation against violation of well-known marks.

(e) Exceptions to rights conferred

39. Exceptions to rights conferred by a mark, which take account of rights of third parties as well as of public interest, should be allowed. The principle of international exhaustion of rights should be applied in the case of parallel imports.

(f) National registration systems

40. Countries should maintain a system for the registration of marks, with a view to administering existing trademark rights under conditions of fullest possible transparency. Such system should include provisions allowing third parties to raise objections to the granting of a registration, among other procedures which permit the safeguarding of rights of third parties in the country, the enforcement of law, as well as facilitate the administrative control by interested third parties of the local use of marks, including well-known marks.

(g) Term of protection

41. The term of protection as well as the conditions for renewal of registration should be defined by national legislations.

(h) Use requirements

42. National legislations which establish compulsory use of a mark should include provisions for forfeiture of a mark due to non-use or interrupted use, after a reasonable period of time and in cases where the owner does not present valid justifications. –

43. National legislations could establish the following criteria for the use of a mark: (i) a licensing agreement per se is not an evidence of the use of a mark; (ii) evidence of use by third parties requires the registration with the relevant government authority of the licence granted by the owner of the mark.

(i) Licensing and assignment

44. National legislations should be able to establish the terms and conditions for the assignment of a mark.

(j) Non-discriminatory treatment

45. The principle of national treatment, as contained in the Paris Convention, should be strictly observed by national legislations.

(k) Obligations of trademark owners

45. In order to avoid abuse, trademark owners should have the following obligations:

(i) to use a mark in the host country lest the registration of the mark be declared forfeited;

(ii) to avoid anti-competitive use of a mark;

(iii) to avoid engaging in restrictive business practices in connection with licensing agreements, such as tied purchases of inputs, prohibition or restrictions on exports from the host country; restrictions on the use after the expiry of an agreement; and others;

## 2. History of the provision

(iv) contribute to the transfer of technology to the host country through transparent and more favourable licensing agreement conditions.

47. Participants assume the obligation to control and punish national trademark owners which engage in restrictive business practices adversely affecting the rights of third parties.”<sup>241</sup>

### 2.2.5 A 1990 developing country joint proposal

A 14 May 1990 submission of Argentina, Brazil, Chile, China, Colombia, Cuba, Egypt, India, Nigeria, Peru, Tanzania and Uruguay included the following with respect to trademarks:

“Article 7: Marks

(1) Parties shall provide protection for trademarks and service marks registered in their territories in compliance with the formalities and requirements laid down in their respective national legislation.

(2) The registration of a trademark or a service mark shall confer upon its registered owner the right to preclude others from the use of the mark or a similar mark for goods or services which are identical or similar to those in respect of which the registration was granted where such use would result in a likelihood of confusion. Rights shall be subject to exhaustion if the trademark goods or services are marketed by or with the consent of the owner in the territories of the Parties to the present Agreement.

(3) It shall be a matter for national legislation to determine the conditions for the use of a mark as well as the duration of the protection granted.”<sup>242</sup>

This proposal called for a uniform rule of international exhaustion of trademark rights, and would have left to each Contracting Party the duration of protection.

### 2.2.6 The Anell Draft

The consolidated text of Chairman Anell (June 1990) included the following provision on the subject of trademarks (identified by “A” as developed and “B” as developing country proposals):

“SECTION 2: TRADEMARKS

1. Protectable Subject Matter

1A.1 A trademark is a sign capable of distinguishing goods or services of one undertaking from those of other undertakings. It may in particular consist of words and personal names, letters, numerals, the shape of goods and of their packaging, combinations of colours, other graphical representations, or any combination of such signs.

1A.2 Trademarks which are:

- (i) devoid of any distinctive character;
- (ii) of such a nature as to deceive the public, for instance as to the nature, quality or geographical origin of the goods or services; or

<sup>241</sup> MTN.GNG/NG11/W/57, 11 Dec. 1989.

<sup>242</sup> MTN.GNG/NG11/W/71, 14 May 1990.

(iii) in conflict with earlier rights,  
[shall not be protected] [cannot be validly registered]. Protection may also be denied in particular to trademarks contrary to morality or public order.

1A.3 The term “trademark” shall include service marks, as well as collective [and] [or] certification marks.

1B PARTIES shall provide protection for trademarks and service marks registered in their territories in compliance with the formalities and requirements laid down in their respective national legislation.

## 2. Acquisition of the Right and Procedures

2A.1 PARTIES shall enable the right to a trademark to be acquired by registration or by use. For the acquisition of the right to a trademark by use, a PARTY may require that the trademark is well-known among consumers or traders of the PARTY.

2A.2 A system for the registration of trademarks shall be provided. The nature of the goods [or services] to which a trademark is to be applied shall in no case form an obstacle to registration of the trademark.

2A.3 [[Actual] use of a trademark prior to [the application for] registration shall not be a condition for registration.] [Use of a trademark may be required as a prerequisite for registration.]

2A.4 PARTIES are encouraged to participate in a system for the international registration of trademarks.

2A.5 PARTIES shall publish each trademark either before it is registered or promptly after it is registered and shall afford other parties a reasonable opportunity to petition to cancel the registration. In addition, PARTIES may afford an opportunity for other parties to oppose the registration of a trademark.

2B Parties shall provide protection for trademarks and service marks registered in their territories in compliance with the formalities and requirements incorporated or laid down in their respective national law.

## 3. Rights Conferred

3.1 [The owner of a registered trademark shall have exclusive rights therein.] The owner of a registered trademark [or service mark] shall be entitled to prevent all third parties not having his consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark registration has been granted [where such use would result in a likelihood of confusion.] [However, in case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed.]

3.2A Protection for registered or unregistered trademarks shall extend under trademark law or other law to the use in the course of trade of any sign which is identical with, or similar to, the trademark in relation to goods or services which are not similar to those in respect of which the right to the trademark has been acquired, where the latter has a reputation and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trademark.

3.3A PARTIES shall refuse to register or shall cancel the registration and prohibit use of a trademark likely to cause confusion with a trademark of another which is

## 2. History of the provision

225

considered to be well-known [in that country]. [This protection shall be extended inter alia against the use of such marks for goods or services which are dissimilar to original goods or services.] [In determining whether a trademark is well-known, the extent of the trademark's use and promotion in international trade must be taken into consideration. A PARTY may not require that the reputation extend beyond the sector of the public which normally deals with the relevant products or services.]

3.4A The owner of a trademark shall be entitled to take action against any unauthorised use which constitutes an act of unfair competition.

### 4. Exceptions

4A Limited exceptions to the exclusive rights conferred by a trademark, such as fair use of descriptive terms, may be made, provided that they take account of the legitimate interests of the proprietor of the trademark and of third parties.

4B Rights shall be subject to exhaustion if the trademarked goods or services are marketed by or with the consent of the owner in the territories of the PARTIES.

### 5. Term of Protection

5A Initial registration of a trademark shall be for a term of no less than ten years. The registration of a trademark shall be renewable indefinitely.

5B It shall be a matter for national legislation to determine the duration of the protection granted.

### 6. Requirement of Use

6.1 If use of a registered trademark is required to maintain the right to a trademark, the registration may be cancelled only after [an uninterrupted period of at least [five years] [three years]] [a reasonable period] of non-use, unless valid reasons based on the existence of obstacles to such use are shown by the trademark owner.

6.2A Use of the trademark by another person with the consent of the owner shall be recognized as use of the trademark for the purpose of maintaining the registration.

6.3A Valid reasons for non-use shall include non-use due to circumstances arising independently of the will of the proprietor of a trademark which constitute an obstacle to the use of the trademark, such as import restrictions or other governmental requirements for products protected by the trademark.

### 7. Other Requirements

7A The use of a trademark in commerce shall not be [unjustifiably] encumbered by special requirements, such as use with another trademark, a use requirement which reduces the function of the trademark as an indication of source, [or use in a special form].

7B It shall be a matter for national legislation to determine the conditions for the use of a mark.

### 8. Licensing and Compulsory Licensing

8A Compulsory licensing of trademarks shall not be permitted.

8B It will be a matter for national legislation to determine the conditions for the use of a mark. (See also Section 8)

### 9. Assignment

9A The right to a [registered] trademark may be assigned with or without the transfer of the undertaking to which the trademark belongs. [PARTIES may require that the goodwill to which the trademark belongs be transferred with the right to the trademark.] [PARTIES may prohibit the assignment of a registered trademark which is identical with, or similar to, a famous mark indicating a state or a local public entity or an agency thereof or a non-profit organisation or enterprise working in the public interest.]

9B It will be a matter for national legislation to determine the conditions for the use or assignment of a mark. (See also Section 8 below)”<sup>243</sup>

The position of developing country Members included demands for international exhaustion of trademarks and national determinations regarding the duration of protection. In addition, developing country Members wanted to preserve the right to determine the conditions of use of marks. Trademarks are defined at this stage to include service marks. Among the developed country proposals, there was question whether use could be retained as a pre-condition of registration. A specific provision acknowledging fair use was included, although limitations were introduced.

#### 2.2.7 The Brussels Draft

The Brussels Ministerial Text of December 1990 follows. At that stage, the Chairman’s Commentary that accompanied the text said regarding trademarks “In Section 2 of Part II on Trademarks, there is an outstanding issue concerning special requirements regarding the use of a mark (Article 22).”<sup>244</sup>

##### “SECTION 2: TRADEMARKS

###### Article 17: Protectable Subject Matter

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2. Paragraph 1 above shall not be understood to prevent a PARTY from denying registration of a trademark on other grounds, provided that they do not derogate from the provisions of the Paris Convention (1967).

3. PARTIES may make registrability depend on use. However, actual use of a trademark shall not be a condition for filing an application for registration. An application shall not be refused solely on the ground that intended use has not taken place before the expiry of a period of 3 years from the date of application.

<sup>243</sup> MTN.GNG/NG11/W/76, 23 July 1990.

<sup>244</sup> MTN.TNC/W/35/Rev.1, 3 Dec. 1990.

## 2. History of the provision

227

4. The nature of the goods or services to which a trademark is to be applied shall in no case form an obstacle to registration of the trademark.

5. PARTIES shall publish each trademark either before it is registered or promptly after it is registered and shall afford a reasonable opportunity for petitions to cancel the registration. In addition, PARTIES may afford an opportunity for the registration of a trademark to be opposed.

### Article 18: Rights Conferred

1. The owner of a registered trademark shall have the exclusive right to prevent all third parties not having his consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed.

2. Article 6bis of the Paris Convention shall apply, *mutatis mutandis*, to services. In determining whether a trademark is well-known, account shall be taken of the knowledge of the trademark in the relevant sector of the public including knowledge in that PARTY obtained as a result of the promotion of the trademark in international trade.

3. Article 6bis of the Paris Convention shall apply, *mutatis mutandis*, to goods or services which are not similar to those in respect of which a trademark is registered, provided that use of that trademark in relation to those goods or services would unfairly indicate a connection between those goods or services and the owner of the registered trademark.

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PARTIES may provide limited exceptions to the rights conferred by a trademark, such as fair use of descriptive terms, provided that such exceptions take account of the legitimate interests of the owner of the trademark and of third parties.

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Initial registration, and each renewal of registration, of a trademark shall be for a term of no less than seven years. The registration of a trademark shall be renewable indefinitely.

### Article 21: Requirement of Use

1. If use is required to maintain a registration, the registration may be cancelled only after an uninterrupted period of at least three years of non-use, unless valid reasons based on the existence of obstacles to such use are shown by the trademark owner. Circumstances arising independently of the will of the owner of the trademark which constitute an obstacle to the use of the trademark, such as import restrictions on or other government requirements for goods or services protected by the trademark, shall be recognised as valid reasons for non-use.

2. When subject to the control of its owner, use of a trademark by another person shall be recognised as use of the trademark for the purpose of maintaining the registration.

### Article 22: Other Requirements

A. The use of a trademark in commerce shall not be unjustifiably encumbered by special requirements, such as use with another trademark, use in a special form or

use in a manner detrimental to its capability to distinguish the goods or services of one undertaking from those of other undertakings.

B. It shall be a matter for national legislation to determine the conditions for the use of a mark.

Article 23: Licensing and Assignment

PARTIES may determine conditions on the licensing and assignment of trademarks, it being understood that the compulsory licensing of trademarks shall not be permitted and that the owner of a registered trademark shall have the right to assign his trademark with or without the transfer of the business to which the trademark belongs.”<sup>245</sup>

It is rather interesting to note that only under the Brussels Draft a more detailed treatment of well-known marks was introduced. These rules represented a fairly substantial innovation in the law of trademarks. The duration of the mark is now recognized as indefinite. Renewals are now set with a minimum term of seven years. Reference to exhaustion has been moved to the more generally applicable Article 6. As noted by the Chairman, differences remain over conditions on the use of marks.

### 2.2.8 The Dunkel Draft

There was no material difference between the Dunkel Draft text (20 December 1991) and the final TRIPS Agreement text with respect to Articles 15–21.

## 3. Possible interpretations

### 3.1 Article 15

#### 3.1.1 Article 15.1: definition

#### Article 15: Protectable Subject Matter

1. Any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, shall be capable of constituting a trademark. Such signs, in particular words including personal names, letters, numerals, figurative elements and combinations of colours as well as any combination of such signs, shall be eligible for registration as trademarks. Where signs are not inherently capable of distinguishing the relevant goods or services, Members may make registrability depend on distinctiveness acquired through use. Members may require, as a condition of registration, that signs be visually perceptible.

The definition of the subject matter of trademark protection, while relatively brief, carries with it a great deal of content. The first sentence indicates that “any sign” . . . “shall be capable of constituting a trademark”. This definition would include anything perceptible to a human being that could serve as a signalling device,

<sup>245</sup> MTN.TNC/W/35/Rev.1, 3 Dec. 1990.

### 3. Possible interpretations

229

including not only visually perceptible words and designs, but also sounds, scents, tastes and textures. In fact, sounds and scents have been determined to qualify for trademark protection in a number of jurisdictions, and the first sentence of Article 15.1 does not exclude this. However, the second sentence says that “in particular” the listed subject matter “shall be eligible for registration as trademarks” (i.e., “personal names, letters, numerals, figurative elements and combinations of colours as well as any combination of such signs”). The list does not include signs that are not visually perceptible. It also limits the reference to colours to “combinations”, whereas single colours have in some jurisdictions been held to qualify for trademark protection. The fourth sentence permits Members to condition registration on visual perceptibility.<sup>246</sup> This now makes clear that sounds, scents, tastes and textures need not be accorded protection, even though they may well qualify as “signs”. Thus the broad reference of the first sentence is intended to permit Members to adopt an extensive scope of trademark subject matter protection, the second sentence is intended to set out a list of obligatory subject matter and the fourth sentence permits the exclusion of certain subject matter.

It was earlier observed that the function of the trademark is not entirely settled. Traditionally, it is well accepted that trademarks serve the function of identifying the source of goods. A can of soda, for example, with the well-known trademark “Coca-Cola” is the product of the Coca-Cola Company. Yet source identification is not the only potential function of the trademark, and the traditionally accepted “source identification” function to some extent has been diluted by the express provisions of TRIPS.

In addition to source identification, the trademark may also serve to protect the so-called “goodwill” of an enterprise. In a trademark sense, the term “goodwill” is used to capture an intangible: the reputation of an enterprise that it has built up.<sup>247</sup> This reputation is not earned solely by the quality or other characteristics of products placed on the market. A business may specifically invest in the reputation of its products or services without in fact doing anything to modify or improve them. This is investment in advertising or promotion that is intended to give consumers a certain impression of the products or services, even if they have never purchased them. It is artificially created reputation. To the producer there is a real financial value to advertising and promotion. There is also a potential economic and social cost. Consumers may be encouraged to purchase products they do not need, and may purchase products of inferior quality as a result of advertising.

Should trademark law protect the investment of enterprises in promoting their goods and services, even if that investment is not directly correlated to the quality or other characteristics of the goods and services? While this may seem an esoteric question, the answer may have quite significant implications for trademark litigation, both in terms of the capability of an enterprise to enforce a mark against an alleged infringer, and in terms of remedies (including damages). If a

<sup>246</sup> On the question of visual perceptibility or graphic representability of *olfactory signs*, see the approach taken under EC law, below, Section 6.3.1.

<sup>247</sup> The term “goodwill” also has a financial accounting meaning, generally referring to the difference between the value of a company’s hard assets and its market value (or the premium a buyer may be willing to pay over its hard asset value).



third party is understood to contravene the rights of the trademark holder only by misrepresenting the source of goods or services, this might permit the third party to avoid infringement by clearly indicating the true source of its goods or services, even if the trademark is referenced by it on the goods (or, for example, in comparative advertisement). If, on the other hand, a third party is understood to contravene the rights of the trademark owner by taking advantage of its goodwill, then any reference to the mark may be sufficient to give the third party a reputation benefit (that is, by attracting the attention of consumers), even if the true source of the goods or services is clear. This effectively lowers the threshold for infringement. Moreover, when calculating damages, there may be a significant difference between determining injury based on consumer confusion as to the true source of goods, and determining injury based on the effect on the trademark owner's goodwill.

Article 15.1 provides that trademarks are signs "capable of distinguishing the goods or services of one undertaking from those of other undertakings". A sign that allows consumers to distinguish or differentiate among undertakings is not the same thing as a sign that identifies a particular undertaking as the source of goods or services. Article 15.1, first sentence, does not require that the consumer be able to identify the specific source of the goods or services. The consumer should be able to determine that goods or services identified by the mark are distinct from other goods or services.<sup>248</sup>

It is doubtful that the text of Article 15.1, first sentence, lays to rest the question whether trademark protection must extend to goodwill as an essential feature, in addition to providing protection for source identification. On the other hand, Article 15.1, first sentence, appears to allow Members to extend trademark protection to goodwill.

Article 15.1 specifically refers to signs distinguishing "services" as being subject to registration. This is a significant change from Article 6*sexies* of the Paris Convention that requires states to provide protection for service marks, but does not mandate that they be subject to registration.<sup>249</sup> However, it is doubtful that inclusion of a registration requirement for service marks engendered a significant change in the practice of Members since most would have permitted the registration of service marks prior to the conclusion of TRIPS. Just as the subject matter of "services" is not defined in the General Agreement on Trade in Services (GATS), it is not defined in TRIPS.

The third sentence of Article 15.1 provides that "Where signs are not inherently capable of distinguishing the relevant goods or services, Members may make registrability depend on distinctiveness acquired through use." Trademarks are generally understood to fall into the following categories. "Arbitrary" or "fanciful" marks, such as "Exxon", have no inherent meaning. They are created by the enterprises that use them. "Suggestive" marks may have a meaning in common

<sup>248</sup> For example, Article 15.1 does not require that soda carrying the Coca-Cola trademark is manufactured by the Coca-Cola Company. It requires only that consumers are able to distinguish Coca-Cola from Pepsi and other cola products.

<sup>249</sup> "Article 6*sexies* Marks: Service Marks

The countries of the Union undertake to protect service marks. They shall not be required to provide for the registration of such marks." (Paris Convention)

### 3. Possible interpretations

231

language, but the common meaning is not ordinarily associated with the goods or services. Thus “Sunrise”, for example, has a common meaning with reference to a planetary phenomenon. Yet “Sunrise” can be used in connection with marketing a dishwashing liquid to suggest light and cleanliness. It is a suggestive mark. “Descriptive” marks rely on the common meaning of terms to identify the goods or services. In their common meaning, the terms do not identify or distinguish between undertakings. Consider, for example, “General Electric” for electrical appliances, or “Volkswagen” (i.e., “people’s car”) for automobiles. In both cases, the words used to form the mark convey a meaning that, even if somewhat indirectly, describe the goods of the business. Trademark law generally permits descriptive terms to acquire trademark status, but in many jurisdictions this depends on the terms having achieved a certain level of recognition among consumers as associating goods or services with an enterprise. This is what Article 15.1, third sentence, means when it refers to “distinctiveness acquired through use.” Thus, Members may condition registration of “descriptive” marks on their having achieved some level of distinctiveness in the minds of consumers. The tests for when sufficient recognition has been achieved vary among countries.<sup>250</sup>

#### 3.1.2 Article 15.2

2. Paragraph 1 shall not be understood to prevent a Member from denying registration of a trademark on other grounds, provided that they do not derogate from the provisions of the Paris Convention (1967).

A Member might elect to refuse registration of a trademark on grounds other than that it does not distinguish the goods or services of an undertaking. For example, in the *U.S. – Havana Club* case decided by the WTO Appellate Body (AB), the United States had refused to register a mark on grounds that the party claiming ownership of the mark was not its rightful owner. The U.S. refusal was upheld by the AB as being within U.S. discretion to make determinations regarding the lawful holders of marks.<sup>251</sup>

Article 6*quinquies* of the Paris Convention, which was at issue in the *U.S. – Havana Club* case, obliges Members to accept marks for registration in the same form (“as is”, or “*telle quelle*”) as registered in the country of origin. This rule was designed to prevent trademark registration authorities from requiring translations or other adaptations of marks to meet local preferences or rules. Under Article 15.2, a Member must comply with the “as is” obligation, and in that way it may not derogate from the Paris Convention. There are exceptions even to the “as is”

<sup>250</sup> It should be noted that “generic” terms may not serve as trademarks for the goods they identify. A “generic” term is that which is used for a type or class (a “genus”) of products or services, such as “bed” or “car”. So, a maker of beds could not use “bed” standing alone as its trademark. However, generic terms sometimes form part of combination term trademarks, and can be protected only as used in the combination. Moreover, a generic term may be used in its non-generic sense as a trademark, e.g., “Apple” for computers.

<sup>251</sup> The *U.S. – Havana Club* decision of the AB is discussed in detail, *infra* at Section 4.1.

obligation. That is, Article 6*quinquies*, Paris Convention, recognizes certain bases even for refusing to accept the same form of the mark. These are:

- “B. . . 1. when they are of such a nature as to infringe rights acquired by third parties in the country where protection is claimed;
2. when they are devoid of any distinctive character, or consist exclusively of signs or indications which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, place of origin, of the goods, or the time of production, or have become customary in the current language or in the bona fide and established practices of the trade of the country where protection is claimed;
3. when they are contrary to morality or public order and, in particular, of such a nature as to deceive the public. It is understood that a mark may not be considered contrary to public order for the sole reason that it does not conform to a provision of the legislation on marks, except if such provision itself relates to public order. This provision is subject, however, to the application of Article 10*bis*.”

The Paris Convention enumerates other bases on which the registration of trademarks may be denied (Article 6*bis* and 6*ter*). Article 6*bis* establishes an obligation to refuse third party registration of well-known marks. Treatment of well-known marks is addressed in Subsection 3.2.2 below. Article 6*ter* creates obligations to refuse trademark registration for state flags and symbols.

### 3.1.3 Article 15.3: use of trademarks

3. Members may make registrability depend on use. However, actual use of a trademark shall not be a condition for filing an application for registration. An application shall not be refused solely on the ground that intended use has not taken place before the expiry of a period of three years from the date of application.

Trademark protection originated as a form of unfair competition law. The tort of “passing off” in Commonwealth jurisdictions evolved to address claims of taking unfair advantage of another person’s trademark or business name. This cause of action did not depend on the registration of a mark. The concept is broader than trademark infringement, and could encompass misuse of trade names as well as other distinctive characteristics of a business. It was and remains the subject matter of common law.<sup>252</sup> Protection of trademarks developed in the United States as a part of the law of unfair competition. Although trademarks long ago came to benefit from registration in the Commonwealth and U.S. legal systems, there remains the possibility to establish and enforce “common law” trademarks from use in commerce.

Before TRIPS was negotiated, the United States required use of a trademark in commerce as a precondition to federal registration. This precondition was intended to assure that trademarks were associated only with real goods or services.

<sup>252</sup> On the common law doctrine of “passing off”, see W.R. Cornish, *Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights* (4<sup>th</sup> ed. 1999), at Chapter 16.

### 3. Possible interpretations

233

Among other objectives, this would avoid a proliferation of unused marks on the records of the Patent and Trademark Office (USPTO). The use precondition also served as a reward to business enterprises that acted swiftly to put their goods and services on the market.

However, even without the complications that this use-based registration system created at the international level (since there was a basic incompatibility with most other countries that allowed registration without use), the precondition came to be seen as an impediment to more modern marketing strategies that involved the advertisement to the public of new goods and services before they were actually placed on the market. If use were a precondition for registration, business enterprises would face risks by advertising in advance of product and service introduction. Other businesses might actually use a mark on a good or service before the enterprise advertising it placed its own good or service on the market.

The USA moved to a modified use-based registration during the Uruguay Round as the advantages of a more globally-integrated trademark registration system became apparent to U.S. businesses. A Madrid Protocol-based registration system (administered by WIPO) could be employed to reduce registration inefficiencies, and some of the domestic difficulties that the use-based system presented for marketing strategies could be overcome. The U.S. system remains grounded in “use” as a condition of registration, but it is now acceptable to file for registration declaring “intent to use” a mark, and subsequently filing within a prescribed period a verification that the mark has actually been used in commerce.<sup>253</sup> Formal registration of the mark does not occur until the applicant submits verification of actual use to the USPTO. In the meantime, the applicant benefits from priority “constructive use” of the mark that in effect precludes a third party from acquiring competing federal trademark rights during the intent-to-use period, and also allows infringement claims based on that constructive use.<sup>254</sup>

Article 15.3, third sentence, provides that registration may not be denied during a three-year application period solely on the grounds of non-use. This in effect requires that a form of priority be established for unused marks included in filed applications since for a period of three years the mark should be treated (for application purposes) as if it is being used. However, this does not appear to require that an applicant be given rights as against an alleged infringer of an unused mark during the “priority” period since it refers only to the ultimate grant of registration, not to the interim period. It is for each Member to determine the effect of an application under national law. Article 4 of the Paris Convention provides a six-month right of priority in respect to the filing of trademark applications outside the country of first application. This prevents the intervening use of a mark or filing of an application from interfering with the rights of the priority holder.

<sup>253</sup> See 15 U.S.C. §1051(b)–(d). The prescribed period for filing a verification of use is within six months of a “notice of allowance”, extendable by an additional 24 months. Because a notice of allowance is issued after examination, period for response, publication and an opposition period, it is very doubtful that registration would be denied for non-use within the three-year period prescribed by Article 15.3, TRIPS Agreement.

<sup>254</sup> See 15 U.S.C. §1057(c). The benefits of “constructive use” do not arise until registration is granted, but can be applied with retroactive effect.

Article 15.3 accommodates the U.S.-style registration system that continues to require use as a precondition to completion of registration, but permits an application to be filed prior to actual use. It is of interest that non-use cannot be the sole grounds for refusing registration during a three-year period, but otherwise the effects of an application are not stated.

#### 3.1.4 Article 15.4

4. The nature of the goods or services to which a trademark is to be applied shall in no case form an obstacle to registration of the trademark.

Article 15.4 essentially restates Article 7 of the Paris Convention, adding express reference to service marks.<sup>255</sup> As noted elsewhere in this book, IPRs are not market access rights. The fact that Article 15.4 states that trademark registration must be granted in connection with all kinds of goods and services does not require that a Member allow such goods and services to be sold.

Article *6quinquies* of the Paris Convention (“as is” or “*telle quelle*”) permits trademark registration to be refused on grounds that the mark is “contrary to morality or public order and, in particular, of such a nature as to deceive the public”. Note that reference is to the mark itself, and not to associated goods or services.

The question of morality or public order might arise in connection with goods such as cigarettes that are known to be harmful to health, the advertising or sale of which Members might choose to heavily regulate or even ban. Article 15.4 suggests that a mark used in connection with, for example, cigarettes may not be refused registration because of the product with which it is associated. This appears to create a tension with Article *6quinquies* that permits refusal of registration of a mark on morality and public order grounds. This apparent tension might be resolved by interpreting Article *6quinquies* to be limited to refusals for signs or symbols that are offensive “as such”. Yet this is a difficult line to draw since a sign or symbol inherently acts to draw (or stimulate) a connection in the public mind to some good, service, activity or belief. A Member might argue that it is entitled to block the registration of a mark used on cigarettes not because of the product, but because promotion of the mark itself has adverse consequences for the public; that is, the mark “as such” is injurious to public order because it encourages a type of behaviour known to cause serious injury (and the behaviour is not linked or limited to the products of a particular enterprise). Whether or not this argument is persuasive, the critical point from a public policy perspective is that allowing registration of a trademark or service mark does not impair the government’s authority to regulate the product associated with the mark. Even if a Member must allow registration of trademarks for cigarettes, it may ban (or limit) the sale of the cigarettes on public health grounds.

<sup>255</sup> Article 7 of the Paris Convention provides:

“The nature of the goods to which a trademark is to be applied shall in no case form an obstacle to the registration of the mark.”

### 3. Possible interpretations

235

#### 3.1.5 Article 15.5

5. Members shall publish each trademark either before it is registered or promptly after it is registered and shall afford a reasonable opportunity for petitions to cancel the registration. In addition, Members may afford an opportunity for the registration of a trademark to be opposed.

Article 15.5 addresses the procedural issues of publication, cancellation and opposition. It is fairly straightforward. Marks should be published so that third persons who may have an interest in objecting to their registration may have notice of them. Members are required to provide a procedure for seeking cancellation, and may (but need not) implement an opposition system. An opposition system would allow the prevention of registration, whereas cancellation would take place after registration.

Questions may arise regarding what types of publication satisfy the requirement. Article 15.5 does not limit publication to hard text, and presumably Internet publication would suffice. This might certainly save costs for trademark offices. Questions may also arise as to how quickly “prompt” publication must occur, and what a “reasonable opportunity” for presenting a cancellation petition is. Terms such as “prompt” and “reasonable” by definition give some leeway to the Member interpreting them. It does not seem productive to explore the potential limits of those terms here. Undoubtedly there are many variations on procedures complying with these requirements.

### 3.2 Article 16

#### 3.2.1 Article 16.1: exclusive rights

1. The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner’s consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed. The rights described above shall not prejudice any existing prior rights, nor shall they affect the possibility of Members making rights available on the basis of use.

These few sentences of Article 16.1 alone can provide the subject matter for a book on the law of trademarks, and it is necessary to limit discussion here to some key elements.

The rights are attributable to owners of “registered” trademarks. Members may, but need not, protect “common law” trademarks. In the *U.S. – Havana Club* case the United States was defending its right to determine who the “owner” of the

subject trademark was, as a condition predicate to determining what the rights of that owner might be.

As with other IPRs, the trademark right is a “negative right” entitling the owner to “prevent all third parties”. If the owner has “consent[ed]” to use of the mark, it is no longer entitled to block its use. The owner consents to use of the mark by affixing it to a good it places on the market and it thereby authorizes third persons to resell or otherwise transfer the good. This consent underlies the principle of exhaustion of rights.

The owner’s right to prevent extends to “using [the mark] in the course of trade”. This implies that uses of the mark other than in the “course of trade” may not be prevented. So, for example, a newspaper article concerning a good’s qualities or other characteristics that is intended to inform readers, but not to promote or discourage sales of the good (as an advertisement), might not be prevented by the mark owner as a use in the “course of trade”. (Such uses are also permitted as a limited exception to trademark rights.)

The preventable use is connected with “identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion.” There is relatively little room for divergent interpretation of trademark infringement when an “identical” trademark is used without consent in the course of trade on “identical” goods or services. This is the basic case of trademark counterfeiting. The questions: (1) when are trademarks “similar”, (2) when are goods or services “similar”, and (3) when would “likelihood of confusion” exist, form much of the subject matter of trademark law. The basic idea is that a competitor should not be able to take advantage of the identity of the trademark owner by using a sufficiently similar sign such that consumers will be misled into believing that there is a connection between the trademark owner and the similar goods being offered by the competitor.

There are theoretically an unlimited number of signs that might be used as trademarks and to distinguish goods and services in commerce. As a practical matter the number is much more limited. Ordinary descriptive terms are often used in trademarks. There are a limited number of such terms in each language, and among those terms a more limited number is familiar to the average consumer. As a practical matter when enterprises are preparing to launch products on the market, it is not at all uncommon for them to come up with the same or similar ideas about what to call them.

The question whether two signs or trademarks are sufficiently similar such that use of one would infringe rights in the other is basically one of fact. The judge, administrator or jury must compare the two marks and determine whether they convey a similar impression. A TRIPS Agreement interpretative issue might arise if a Member decided to apply very strict standards of comparison between allegedly infringing marks such as to make it very difficult for a trademark owner to prove infringement by similar, but not identical, signs. Purely for illustrative purposes, a Member could adopt a rule under which “Coco-Cola” was not considered similar to “Coca-Cola”, and allow a local producer to take advantage of the well-known mark. While the concept of *similarity* is flexible, as with many other IPRs concepts there are limits beyond which it may not be stretched.

### 3. Possible interpretations

237

There is an analogous issue regarding the similarity of goods or services. Is a powerboat similar to a sailboat for trademark confusion purposes? Is a refrigerator similar to an automobile? The rule of Article 16.1 is that an identical or similar mark may not be used on similar goods or services. This implies that an identical or similar mark may be used on goods that are *not* similar. The question is one of fact. The judge, administrator or jury must determine whether in the mind of the consumer there will be a sufficient connection between two goods or services such that an assumption is likely to be made that these are produced by the same enterprise.

Ultimately the question is asked whether “such use would result in a likelihood of confusion”. The term “likelihood” means that there is a significant probability that consumers will in fact be confused. There is, however, no common trademark law standard as to what percentage of consumers have been or might be confused, and courts even within the same national jurisdiction may apply rather different standards. If it can be demonstrated that consumers have *in fact* been confused by purchasing a good or service assumed to be offered by one enterprise, but in reality offered by another, that typically is strong evidence of “likelihood” of confusion. However, confusion *in fact* is often difficult to prove.

There are almost certain to be significant variations among Members with respect to the standards applied in determining “likelihood of confusion”. It would be difficult to set out limits to what would be considered a reasonable good faith approach, recognizing that these determinations are highly context-specific. In the final analysis, likelihood of confusion is determined by a finder of fact based on an overall impression drawn from a mix of elements. Courts have established various multi-pronged approaches that identify elements to be considered (in the USA perhaps the best known is the eight-element “Sleekcraft” analysis<sup>256</sup>), but even here the elements may be weighted differently depending on the setting.<sup>257</sup>

The second sentence of Article 16.1 provides that, “In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed.” This provision should facilitate the successful prosecution of infringement claims where the intent to directly take advantage of the trademark owner is evident (e.g., straightforward trademark counterfeiting). By establishing a presumption of likelihood of confusion where the signs and goods/services are identical, the burden is shifted to the alleged infringer to prove the absence of likelihood. This removes a significant evidentiary task from the trademark owner. It is, however, possible to rebut the presumption. Professor T. Cottier has noted that in cases of parallel importation (in countries following a rule of international exhaustion of trademarks), the presumption may be rebutted by showing that the goods were put on the market with the trademark owner’s consent in another country.<sup>258</sup>

<sup>256</sup> *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341 (9th Cir. 1979).

<sup>257</sup> For example, whether an infringer acts with bad intent bears significant weight even though this does not directly affect the perception of the consumer.

<sup>258</sup> Thomas Cottier, *Das Problem der Parallelimporte im Freihandelsabkommen Schweiz-EG und im Recht der WTO-GATT*, *Revue Suisse de la Propriété Intellectuelle*, I/1995, 37, 53–56 [hereinafter



The third sentence of Article 16.1 refers to non-prejudice to existing prior rights. The intent of this phrase is not entirely clear. On one hand, it may refer to a rather typical situation in which two parties have used potentially conflicting trademarks within the same national territory, perhaps in different locations, and national jurisprudence has recognized that identical or similar trademarks may be used concurrently by different owners. Even if one of the trademarks is or becomes registered, the concurrent use may be allowed to continue. This concept of non-prejudice would allow prior or concurrent use rights on an ongoing basis, regardless of whether conduct pre- or post-dates TRIPS. On the other hand, the phrase might be interpreted to the effect that the rules of Article 16.1 are not intended to have an effect on trademark rights that arose prior to its entry into force, and that such uses might continue. However, similar situations would not be permitted to arise after TRIPS Agreement rules became applicable. This would in effect modify the rule of Article 70.2, establishing an obligation to extend new TRIPS Agreement rights to existing subject matter, unless otherwise provided. The third sentence of Article 16.1 was added after the Brussels Ministerial.

The second phrase of Article 16.1 (“nor shall they affect the possibility of Members making rights available on the basis of use”), is not ambiguous. It makes clear that the institution of common law trademark rights may continue in Members that choose to continue or newly adopt it. However, the rights prescribed under the first and second sentences of Article 16.1 are not automatically applicable to common law trademarks, which may enjoy a different set of rights than registered marks.

### 3.2.2 Article 16.2: well-known trademarks

2. Article 6bis of the Paris Convention (1967) shall apply, *mutatis mutandis*, to services. In determining whether a trademark is well-known, Members shall take account of the knowledge of the trademark in the relevant sector of the public, including knowledge in the Member concerned which has been obtained as a result of the promotion of the trademark.

Article 6bis of the Paris Convention addresses the subject of so-called “well-known” trademarks.<sup>259</sup> A special regime for such marks has the objective of

Cottier]. Note that these cases have to be distinguished from the above example of trademark counterfeiting: in the case of parallel imports, the identical sign originates from the same trademark holder; whereas in the case of counterfeiting, a person different from the right holder uses the latter’s trademark for his own products.

<sup>259</sup> “Article 6bis Marks: Well-Known Marks

(1) The countries of the Union undertake, ex officio if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith.

### 3. Possible interpretations

239

providing protection for trademarks that are well known in a country as already belonging to a certain person, even though they are not, or not yet, protected in that country through a registration. In the absence of registration of the well-known mark, the conflicting mark could theoretically be registered and enforced to the detriment of the well-known mark, which would in most cases result in consumer confusion. Such practice is widely regarded as constituting an act of unfair competition,<sup>260</sup> thus requiring the protection of the well-known trademark.

The necessity of protection of well-known marks usually arises in new markets, i.e. in countries previously closed to foreign traders or which, through an increase in economic development become attractive for the suppliers of branded products. In those cases, the owner of the well-known, but unregistered trademark is considered as worth of protection as if she/he had actually registered the mark. This shows that registration is not considered the ultimate criterion of protection. It is considered more important that the registration of the same or a similar mark by a third person could lead to confusion of the public, who would automatically associate the registered mark with the non-registered, but well-known owner or his products.

To make clear that well-known service marks are subject to protection on the same basis as trademarks (for goods), Article 16.2, first sentence, explicitly extends the protection of Article 6*bis*, Paris Convention, to service marks.

Article 6*bis*, Paris Convention, has been understood to leave substantial uncertainty regarding the standards states should apply in determining whether a mark is well known.<sup>261</sup> Article 16.2, TRIPS, second sentence, addresses one aspect of that uncertainty. It establishes that the question whether a mark is well known should be determined in respect to the "relevant sector of the public". Assume, for example, that an enterprise is the leading manufacturer of sophisticated equipment used by scientific laboratories to determine the chemical composition of materials. The trademark of that enterprise might be very well known among all technical specialists in the field of chemical composition, but would likely be more or less completely unknown to the general public. Article 16.2 indicates that a mark should be considered well known based on the "relevant" sector of the public, which in such circumstances would be the technical specialists. There

(2) A period of at least five years from the date of registration shall be allowed for requesting the cancellation of such a mark. The countries of the Union may provide for a period within which the prohibition of use must be requested.

(3) No time limit shall be fixed for requesting the cancellation or the prohibition of the use of marks registered or used in bad faith."

As noted earlier, the Paris Convention differentiates between trademarks and service marks. States, for example, are not required to provide for registration of service marks. The TRIPS Agreement requires that registration be made available for service marks.

<sup>260</sup> See G.H.C. Bodenhausen, *Guide to the Application of the Paris Convention for the Protection of Industrial Property as revised at Stockholm in 1967*, BIRPI, Geneva, 1968, p. 90 (on Article 6*bis*, under (d)).

<sup>261</sup> In September 1999 WIPO members adopted a Joint Resolution setting out guidance on various aspects of well-known marks, including criteria that might be used in making determinations. See below, Subsection 6.2.2. See, e.g., *Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks*, adopted by the WIPO General Assembly and the Assembly of the Paris Union, Sept. 1999.

is a risk that defining “well known” in terms of the relevant sector of the public will lead to a proliferation of well known marks. This risk can be addressed by imposing a relatively high standard regarding the degree of knowledge of the mark among the relevant sector, which possibility is within the scope of the provision.

Article 16.2, second sentence, adds to its relevant sector clarification the phrase, “including knowledge in the Member concerned which has been obtained as a result of the promotion of the trademark”.<sup>262</sup> Ordinarily, the level of advertisement of a mark is one ground upon which knowledge among the public is evaluated by a finder of fact in determining whether a descriptive mark has acquired “secondary meaning”. The TRIPS text clarifies that a mark may be well known even if it has not been used on goods and services within the Member concerned, but has become known there through advertisement. As indicated above, one of the principal reasons the Paris Convention provided special protection for well-known marks was to prevent their registration by third parties in markets that foreign mark holders had not yet entered (and to allow cancellation of registrations so obtained). Third parties would often register well-known marks and seek “ransom” from their foreign holders wanting to obtain registration in the new market. Yet Article 6*bis*, Paris Convention, does not explicitly address the question whether a mark should be protected even if goods were not yet placed on the market. Article 16.2, second sentence, now makes clear that having goods or services on the market in a Member is not a prerequisite to holding interests there in a well-known mark.

### 3.2.3 Article 16.3: well-known trademarks

3. Article 6*bis* of the Paris Convention (1967) shall apply, *mutatis mutandis*, to goods or services which are not similar to those in respect of which a trademark is registered, provided that use of that trademark in relation to those goods or services would indicate a connection between those goods or services and the owner of the registered trademark and provided that the interests of the owner of the registered trademark are likely to be damaged by such use.

Article 16.3 addresses the situation in which a third party uses a well-known mark in connection with goods or services for which the mark holder is not well known. This provision differs from Article 16.2. in three respects. First, the well-known mark in question is *registered*, as follows from the language of the provision (see quotation above). Second, the goods or services for which the confusingly similar trademark is used are different from those goods or services that are covered by the well-known mark.<sup>263</sup> Third, this provision emphasizes protection of

<sup>262</sup> The Brussels Ministerial Text (December 1990) referred to “including knowledge in that PARTY obtained as a result of the promotion of the trademark in international trade”.

<sup>263</sup> This is also what distinguishes this provision from the *first* paragraph of Article 16, which applies in case of identical or similar goods or services protected by a registered trademark (referred to below as “ordinary trademark confusion”).

### 3. Possible interpretations

241

the *reputation* of the well-known mark. This is indicated by the last part of the paragraph, requiring that the “interests of the owner of the registered trademark are likely to be damaged” by the use of the third party’s trademark (see below for details). Articles 16.2 of TRIPS and *6bis* of the Paris Convention do not contain such reference to the interests of the right holder, but focus on the likelihood of confusion of the public. Nevertheless, it has been observed that Article 16.3, by referring to Article *6bis* of the Paris Convention, also takes account of the concern about confusion of the public.<sup>264</sup>

To illustrate the operation of Article 16.3, consider, for example, the situation in which the well-known automobile trademark “AUDI” was used by a third party in connection with the marketing of television sets. To begin with, there would be a difficult question whether television sets might be part of the natural product line expansion of an automobile manufacturer in an ordinary trademark confusion sense (i.e., under Article 16.1). If so, there would be similarity between the television sets potentially covered by the registered trademark and the third party’s television sets. Thus, the question of well-known marks might not arise since there may already be a likelihood of confusion between similar goods. However, if there is no likelihood of confusion in the *ordinary* trademark sense, Article 16.3 indicates that the finder of fact should proceed to ask whether a consumer would consider there to be a connection between the goods, even if not part of a natural product line expansion (i.e. the case of non-similarity of the goods). Would a consumer seeing the term “AUDI” on a television set think that there was a connection with the automobile company? In recent years there has been an increasing tendency for producers well known in one area of commerce to market into unrelated lines of commerce. Would it have been anticipated, for example, that the “Marlboro” and “Camel” cigarette marks would be used on clothing and shoes? In this context, Article 16.3 addresses a significant question regarding well-known marks.

Article 16.3 contains an important qualifier. The interests of the owner of the well known trademark must be “likely to be damaged by such use”. There are two ways such damage might be foreseen. First, the well known trademark holder might itself have been planning to enter the same market as the third party using the mark. It would therefore be injured by the loss of a revenue opportunity. Second, the third party using the mark might be doing so in a way that would tarnish or injure the reputation of the trademark holder. The burden should presumably be on the trademark holder to establish the likelihood of damage since third party use of a mark in connection with a dissimilar product would not ordinarily be assumed to cause damage.

Subjective questions such as those involving the likelihood of damage from use of a mark on dissimilar goods may be answered differently in various Members. This is to be expected. In the application of TRIPS Agreement provisions such as Articles 16.2 and 16.3, the issue from a WTO legal standpoint is whether the rules are applied reasonably and in good faith, not whether an exact methodology is used to reach a definitive result.

<sup>264</sup> See Gervais, p. 111.

### 3.3 Article 17: exceptions

#### Exceptions

Members may provide limited exceptions to the rights conferred by a trademark, such as fair use of descriptive terms, provided that such exceptions take account of the legitimate interests of the owner of the trademark and of third parties.

Trademark rights involve exclusivity in signs or symbols. In effect a sign or symbol may be taken out of public usage and reserved to private control. When trademarks involve arbitrary combinations of letters and/or designs the effects on the public may be relatively inconsequential. However, there are a variety of contexts in which the effect on the public may be substantial.

When a descriptive word becomes the subject of trademark protection the capacity for expression is restricted. Even though the rights of the trademark holder are nominally limited to use with respect to certain goods or services in the course of trade, there is a chilling effect around the use of the word that discourages others from using it. The impact, both direct and indirect, of granting private rights in words is what motivates the prohibition on the grant of trademark rights in “generic” terms.

It is difficult for one enterprise to compare its goods with those of another without referring to the latter’s goods by their trademark name. For this reason, the use of a competitor’s mark in comparative advertising is typically allowed as an exception to the rights of the holder.

There are a number of other contexts in which trademarks are referred to without the consent of the owner. A common type of reference is in news reporting and commentary. It is often difficult to make reference to the goods or services of an enterprise without referring to the trademark name. Again consider the example of the “AUDI” trademark. It would be difficult for the publishers of a magazine directed to auto enthusiasts to review the performance of AUDI automobiles without using the term “AUDI”. The publisher could, of course, refer to an automobile manufacturer based in Germany with product lines known by certain characteristics, but this would strain writers and the reading public alike. The use by the publisher of the term “AUDI” in this context is a form of fair use of a trademark, sometimes referred to as “nominative fair use”.

Like copyright, trademark protects only the identification of the product and not its function. Pharmaceutical manufacturers market drugs in coloured capsules or tablets. Doctors, pharmacists and consumer-patients come to identify those drugs by their distinctive colouring. The users of the drugs come to rely on the colour as a principal means for determining what to ingest. The colour serves a critical function from a public health standpoint. When generic versions of a drug are produced by second-comers, significant problems for consumer-patients may arise if they are unable to identify the same medication by the same colour. Colour has taken on an important functional characteristic. The use by third parties of the same colour on equivalent drugs may be justified on either of two bases. First, it might be said that the colour is not serving a trademark function because it is

### 3. Possible interpretations

243

functional, and thus not protected. Second, it might be said that use of the colour is a limited exception to the rights of the trademark owner as a fair use in the public interest.<sup>265</sup>

The Paris Convention does not expressly address the subject of exceptions to trademark rights, and from that standpoint Article 17 does not have a textual precedent at the multilateral level. This is similar to the circumstances of Article 30 with respect to patents. (By way of contrast, Article 13, with respect to copyright derives from Article 9(2), Berne Convention, and has a history of prior application.) As of mid-2004, WTO panels (but not so far the Appellate Body) have rendered decisions interpreting Article 13 and Article 30, but not Article 17. While there may be a temptation to analogize because of the similar language of the three exception provisions, it is important to be aware that the forms of IPRs perform very different roles and that the public and private interests in each may be rather different.

The term “limited exception” is capable of different reasonable interpretations. In the *Canada – Generic Pharmaceuticals* case,<sup>266</sup> the panel construed the language to refer to a narrow derogation.<sup>267</sup> Canada had argued that a “limited exception” is an exception with defined boundaries. The text is susceptible to both interpretations.

Article 17 gives “fair use of descriptive terms” as illustration of a limited exception, but clearly not in an exclusive way, as is made clear by the use of the terms “such as”. As noted above, there are a number of other types of limited exception that have been recognized in different legal systems.

Article 17 further provides that a limited exception should “take account of the legitimate interests of the owner of the trademark and of third parties”. Application of this language will of necessity involve subjective judgments regarding the balance of public and private interests in trademarks. The panel in *Canada-Generic*

<sup>265</sup> Note that use by third parties of the same colour on equivalent drugs has been admitted by the Court of the European Free Trade Association (EFTA, comprising Iceland, Liechtenstein, Norway, and Switzerland. With the exception of Switzerland, the EFTA countries have concluded with the EC and its member states the Treaty on the European Economic Area (EEA), resulting in their participation in the EC's common market and their being bound by EC law). See case E-3/02, *Merck v. Paranova* of 8 July 2003, EFTA Court: one of the biggest European parallel importers, Paranova, imported pharmaceutical products into Norway that the pharmaceutical company Merck had sold before under its trademark in Southern Europe. Before selling the drugs in Norway, Paranova repacked them, leaving the tablets as such untouched. The new packings displayed Merck's name and trademark, and the colours used on Merck's own packings. However, those colours were not in the same place as on Merck's original packings; instead of placing them in the center, Paranova had moved them to the corners of the packings. In response to trademark infringement proceedings initiated by Merck, the EFTA Court decided that under EC law, the holder of a trademark may prevent parallel importers from using a certain design only if such design damages the reputation of the right holder or his mark. The use by the parallel trader of the original colours in a different place with a view to facilitating the identification by consumers of the parallel trader's own product line does not amount to such damage. Contrary to the modelling of a new packing as such, the parallel importer in creating its own design on the packing may go beyond minimum modifications required by the importing country.

<sup>266</sup> WT/DS114/R, 17 March 2000. For a detailed discussion, see Chapter 23.

<sup>267</sup> *Canada – Generic Pharmaceuticals* case, para. 7.30.

*Pharmaceuticals* found that “legitimate interests” was to be understood more broadly than “legal interests” and to take into account broader social interests.<sup>268</sup> Each of the trademark exceptions discussed above should be permissible within the scope of subjective balancing implicit in taking account of the legitimate interests of owners and third parties.

### 3.4 Article 18: term of protection

#### Term of Protection

Initial registration, and each renewal of registration, of a trademark shall be for a term of no less than seven years. The registration of a trademark shall be renewable indefinitely.

Prior to TRIPS, WTO Members maintained significantly disparate renewal periods. Many trademark offices were (and remain) dependent on renewal fees to maintain their operations, and not surprisingly are anxious to collect fees. The seven-year minimum initial and renewal registration period was a compromise between the United States proposal for a minimum ten-year period and a developing country proposal to leave the question of duration to each Member (see 2.2.5, above).

Trademarks are capable of indefinite duration. This does not mean that trademark rights last indefinitely based on the mere payment of renewal fees. Trademarks are subject to cancellation on grounds such as non-use (see Article 19 below). Article 18, however, makes clear that there is no temporal limit to how long a trademark may remain valid if requirements for maintaining rights are satisfied.

### 3.5 Article 19: requirement of use

#### Requirement of Use

1. If use is required to maintain a registration, the registration may be cancelled only after an uninterrupted period of at least three years of non-use, unless valid reasons based on the existence of obstacles to such use are shown by the trademark owner. Circumstances arising independently of the will of the owner of the trademark which constitute an obstacle to the use of the trademark, such as import restrictions on or other government requirements for goods or services protected by the trademark, shall be recognized as valid reasons for non-use.
2. When subject to the control of its owner, use of a trademark by another person shall be recognized as use of the trademark for the purpose of maintaining the registration.

<sup>268</sup> Ibid., paras. 7.68 and 7.73.

### 3. Possible interpretations

245

Article 19.1, first sentence, sets a three-year (uninterrupted) minimum term prior to which a registered mark may not be cancelled for non-use. The Paris Convention, at Article 5.C(1), provides that “the registration may be cancelled only after a reasonable period.”<sup>269</sup> TRIPS, thus, effectively defines the “reasonable period” of the Paris Convention.

Article 5.C(1), Paris Convention, and Article 19.1, TRIPS, first sentence, each provide a basis upon which the trademark owner can prevent cancellation. The Paris Convention permits the trademark owner to “justify his inaction”. TRIPS refers to the “existence of obstacles to such use”. Neither formulation is clear as to what types of facts or circumstances might justify non-use, leaving substantial discretion to Members to delimit the scope of the grounds. They might be quite broad, for example, allowing the registered holder to justify non-use on grounds that it was unable to put a good into production for technical reasons. On the other hand, they might be narrow, for example, referring only to obstacles arising outside the trademark holder’s control, such as a government ban on sales of the subject good.

The Paris Convention rule allowing owners to “justify” non-use might be construed not to provide an excuse when the government acted. The government’s action might be construed to de-legitimize the trademark owner’s excuse. Article 19.2, second sentence, makes clear that indeed the obstacle may arise from outside the trademark owner’s control, including government-imposed restrictions on the subject goods or services. Thus, an excuse based on a legitimately-imposed government restriction should still constitute a legitimate excuse.

Article 19.2 provides for the situation in which the trademark is licensed by its owner to a third party. Use by the licensee is equivalent to use by the owner for purposes of preventing cancellation for non-use. However, the licensee’s use of the mark is only covered “When subject to the control of its owner”. It would appear that a “naked license”, that is, a license under which the trademark holder merely collects royalties but does not supervise the licensee, may not constitute use under this provision. This is the logical import of the language and supported by the negotiating history which shows the language concerning control replacing an earlier text according to which only the owner’s consent to use of the mark was required.<sup>270</sup> It might alternatively be argued that so long as the trademark owner holds a contractual interest in the mark the licensee is under its control (however loose) and that this may suffice for “control” within the meaning of Article 19.2. This does not seem very persuasive in light of the express language and negotiating history.

<sup>269</sup> Article 5 of the Paris Convention provides:

“C. (1) If, in any country, use of the registered mark is compulsory, the registration may be cancelled only after a reasonable period, and then only if the person concerned does not justify his inaction.”

<sup>270</sup> Note that the “A” proposal under the Anell Draft did not include a requirement of control, providing:

“6.2A Use of the trademark by another person with the consent of the owner shall be recognized as use of the trademark for the purpose of maintaining the registration.” See text *supra*, Section 2.2.



### 3.6 Article 20: other requirements

#### Other Requirements

The use of a trademark in the course of trade shall not be unjustifiably encumbered by special requirements, such as use with another trademark, use in a special form or use in a manner detrimental to its capability to distinguish the goods or services of one undertaking from those of other undertakings. This will not preclude a requirement prescribing the use of the trademark identifying the undertaking producing the goods or services along with, but without linking it to, the trademark distinguishing the specific goods or services in question of that undertaking.

Prior to negotiation of TRIPS, it was not unusual for national trademark legislation, particularly in developing countries, to include requirements concerning the manner in which trademarks could be used. The domestic licensee of a foreign-origin trademark might be required to use its own trademark alongside that of the licensor. Additional rules might prescribe the relative placement of local and foreign-origin marks on goods. Despite the “*telle quelle*” or “*as is*” rule regarding registration in the same form, a foreign-origin trademark owner might be required to transform its mark into a more locally-friendly form, such as by providing a translated version of descriptive terms. The development-oriented objective of such requirements, *inter alia*, was to assure that some name or trademark recognition was established in favour of a local enterprise, assuming that the foreign licensor’s presence in the market might be transitory. By requiring the foreign licensor to link its mark with that of a local enterprise, developing country authorities encouraged continuity in business relationships since the licensor might be more reluctant to discontinue its association with a business with whose name or products it had been linked in the public mind. From the perspective of the foreign-origin licensor, this type of requirement presented obstacles to business planning. If the mark or name of a licensee (such as a distributor) was to be linked with the licensor’s mark, the licensor risked injury to its own reputation based on actions of the licensee. Also, as the special requirements might discourage foreign-origin licensors from changing or discontinuing business relationships, this was not viewed positively by the licensors.

Article 20 precludes the imposition of “special requirements, such as use with another trademark, use in a special form or use in a manner detrimental to its capability to distinguish the goods or services of one undertaking from those of other undertakings”. The first reference is clear, that is “with another trademark”. The meaning of “special form” might refer either to a standard format prescribed for all trademark owners (such as “in translation”, or in a particular size or colour scheme), or to a case-by-case determination by a trademark authority. It is less clear what is intended by “use in a manner detrimental to its capability to distinguish”. Such a result might come about if a mark-owner is required to reduce the size or placement of its mark to a point that consumers would have difficulty recognizing it, or to place it alongside information or materials that likewise would reduce its impact on consumers. Thus, for example, a requirement to include

### 3. Possible interpretations

247

the generic name of a product alongside a trademark might be argued to have such an effect. However, the legal formulation leaves substantial flexibility to the interpreter.

However, Article 20 specifically authorizes rules that require the mark or name of the producing enterprise to be included with that of the trademark owner. Such requirements are intended to serve a development objective by indicating to the public that a local producer is the *de facto* supplier of the goods or services, with the expectation that the local public will gain assurance regarding the capacity of local suppliers. At the same time, Article 20 provides that the local enterprise will use its mark “without linking it to, the trademark” of the subject owner. This is presumably intended to prevent the local enterprise from taking “unfair advantage” of the foreign-origin mark. There should be some form of differentiation, though Article 20 does not provide or suggest a specific means. Although this provision was negotiated in response to developing country insistence that they should be allowed to facilitate awareness of local production capacity, the text does not distinguish between local undertaking-producers and foreign undertaking-producers. If a Chinese producer is making a product on which a U.S. trademark is placed, and the product is being sold in Indonesia, the mark of the Chinese producer should just as well be required to appear (based on the principle of national treatment) as that of an Indonesian producer putting the U.S. mark on the product for sale in Indonesia.

#### 3.7 Article 21: licensing and assignment

##### Licensing and Assignment

Members may determine conditions on the licensing and assignment of trademarks, it being understood that the compulsory licensing of trademarks shall not be permitted and that the owner of a registered trademark shall have the right to assign the trademark with or without the transfer of the business to which the trademark belongs.

Trademarks were traditionally understood to serve as identifiers of the source of goods. The consumer expected that goods placed on the market by a particular producer would conform to the quality standards that the trademark, and thus the producer or source, represented. Consequently, in many legal systems it was not permitted to license a trademark to a third party or, if licensing was permitted (and this was largely a development of mid-20<sup>th</sup> century trademark law), the licensor was required to exercise control over the licensee so as to assure the consumer that the trademark continued to represent an equivalent product.

If a trademark was owned by a business, and the business was sold, there was generally not a legal obstacle to transfer of the mark along with the business. As businesses became more multinational, as well as subdivided into separate operating units, it became commonplace to sell and transfer part of the business, or business operations in a particular country, as opposed to selling and transferring an entire combined enterprise. National trademark laws, as well as Article 6*quater*(1) of the Paris Convention, acknowledged that assignment and

transfer of a mark should be permitted to take place if at least “the portion of the business or goodwill located in that country be transferred to the assignee, together with the exclusive right to manufacture in the said country, or to sell therein, the goods bearing the mark assigned”.<sup>271</sup>

Article 21 acknowledges the right of Members to continue to impose restrictions on the licensing and assignment of trademarks.<sup>272</sup> Members may, for example, continue to require that trademark licensors exercise adequate control over the activities of licensees so as to protect the source indication function of the mark (that is, the integrity of the mark from the standpoint of the consumer). The terms of the first clause are not restricted, “Members may determine conditions” on licensing and transfer. The limitations are set out in the second clause.

First, compulsory licensing of trademarks is not permitted. While Article 5.A of the Paris Convention authorizes the compulsory licensing of patents, Article 5.C does not specifically address compulsory licensing of trademarks. It provides that cancellation for non-use should only take place after a “reasonable period” (see Subsection 2.1.1, *supra*). If a mark is cancelled, it becomes available for use by third parties. In an indirect way cancellation might be viewed as a form of compulsory licensing, but the two concepts are different.

Since trademarks are intended to indicate the source of products, it might seem contradictory to that basic function to permit compulsory licensing to third parties. The source of products would by definition change, and consumers might be misled. Yet there is perhaps more to this question than first meets the eye. Consider the situation in which a compulsory patent license is issued for a medicine. Prior to the introduction of the third-party version of medicine under compulsory license, it is marketed to doctor-pharmacist-consumers under the trademark of the patent holder company. The patent holder asserts that its trademark rights extend to the colour of the medicine tablet. If the colour of the tablet is not licensed along with the patent, this might lead to a situation of confusion in the consuming community (i.e. among doctors, patients and pharmacists). As a practical matter, under TRIPS a compulsory license for the claimed mark – which is

<sup>271</sup> Article 6*quater*

“Marks: Assignment of Marks

(1) When, in accordance with the law of a country of the Union, the assignment of a mark is valid only if it takes place at the same time as the transfer of the business or goodwill to which the mark belongs, it shall suffice for the recognition of such validity that the portion of the business or goodwill located in that country be transferred to the assignee, together with the exclusive right to manufacture in the said country, or to sell therein, the goods bearing the mark assigned.

(2) The foregoing provision does not impose upon the countries of the Union any obligation to regard as valid the assignment of any mark the use of which by the assignee would, in fact, be of such a nature as to mislead the public, particularly as regards the origin, nature, or essential qualities, of the goods to which the mark is applied.”

<sup>272</sup> A “license” is generally understood to refer to a legal arrangement in which a person is given permission to use something owned by another person, but without transfer of ownership interest in the subject matter of the license. An “assignment” is generally understood to refer to a legal arrangement in which ownership interest is effectively transferred from one person to another. However, because the law sometimes imposes restrictions on the formal transfer of ownership of things, an “assignment” of rights might not in all cases involve a formal recordation of change in ownership. For this reason, the words “assignment” and “transfer” are often used to refer first to the change in legal interest in a thing, and second to the formal act involved in recording a change in ownership.

#### 4. WTO jurisprudence

249

prohibited by Article 21 – is not necessary for two reasons. Trademarks do not cover “function”, and if the colour of a medicine tablet is performing a function for doctors, patients and pharmacists, the colour cannot be exclusively reserved to a trademark holder. In addition, Article 17 permits limited exceptions to trademark rights, and a Member may recognize a “fair use” right in the mark in these circumstances.<sup>273</sup>

Second, “the owner of a registered trademark shall have the right to assign the trademark with or without the transfer of the business to which the trademark belongs”. This formula represents a break with the traditional view of the trademark as an indication of source. There is now permitted the “naked assignment” of marks. The trademark has in essence become a stand-alone commodity that can be traded just as lumber. This acknowledges a major change in the general principles underlying trademark law.

However, the fact that trademarks may be sold and transferred as commodities does not dispense with the basic requirements for the maintenance of marks. In countries where use is required to maintain marks, the new owner must assure that some use in connection with the covered goods or services is made so as to avoid cancellation after the minimum prescribed period has elapsed. Likewise, the mark cannot be allowed to become “generic” and thereby lose its trademark function. (Even a fanciful mark may become generic if it is widely used in reference to a product and the trademark owner does not take steps to assert its rights and control over the term.)

#### 4. WTO jurisprudence

##### 4.1 United States – Havana Club

###### 4.1.1 Factual background

United States – Section 211 Omnibus Appropriations Act of 1998 (“U.S. – Havana Club”)<sup>274</sup> is the first decision in which the Appellate Body (AB) interprets substantive intellectual property rights rules of TRIPS and the Paris Convention for the Protection of Industrial Property. It is also the first case that applies the national and most favoured nation (MFN) treatment provisions of TRIPS.

The factual setting is complex, but may be briefly summarized. Prior to the coming to power of the revolutionary government in Cuba, a family-owned Cuban enterprise made and sold rum under the trademark “Havana Club”. That enterprise registered the Havana Club mark in Cuba and the United States. The revolutionary government confiscated the assets of the family-owned business, including the trademarks, and did not compensate the former owners. The former owners

<sup>273</sup> As noted in the text, when medicines are identified by a single colour, that colour is often functionally used by consumers as the means to identify it. In these circumstances, there are strong grounds for either (a) denying trademark rights in a single colour as it serves a functional (and therefore non-trademark) purpose, or (b) recognizing a fair use right on behalf of third party producers. Even a limited reference to the “brand name” of the trademark holder may be permitted as fair use when done in a way that does not suggest endorsement of the third party product by the trademark holder.

<sup>274</sup> WTO Appellate Body, *United States – Section 211 Omnibus Appropriations Act of 1998*, WT/DS176/AB/R, 2 January 2002 (“U.S. – Havana Club”).

did not attempt to renew their trademark registration in the United States, and it lapsed. Subsequently, the Cuban state enterprise that succeeded to the mark in Cuba registered the mark in the United States.

In the 1990s, a France-based multinational liquor manufacturer and distributor (Pernod Ricard) entered into a joint venture with the Cuban state enterprise to sell Havana Club rum worldwide. The joint venture took assignment of the U.S.-registered trademark. In the same period, a U.S.-based (Bermuda incorporated) liquor manufacturer and distributor (Bacardi) purchased the residual interests of the former Cuban-family owners of the Havana Club mark, and began to sell rum under the Havana Club mark in the United States. The Cuban-French joint venture was precluded from selling into the U.S. market because of U.S. legislation and regulations that prevented Cuba and its nationals from doing business in and with the United States. Nonetheless, the Cuban-French joint venture sued the U.S. distributor in federal court in the United States for infringement of its trademark and trade name (and related unfair competition claims) to preserve its rights in the U.S. market.

While the infringement litigation was proceeding, the U.S. Congress passed legislation directed at trademarks and trade names that had been confiscated from Cuban nationals. This legislation retroactively invalidated the assignment of the Havana Club trademark registration to the Cuban-French joint venture, and denied Cuba the right to renew its registration of the Havana Club mark in the United States. In addition, the legislation instructed U.S. courts not to enforce rights in trademarks and trade names asserted by Cuban nationals or their successors-in-interest based on earlier confiscations. The federal court in which the Cuban-French joint venture brought its infringement and unfair competition action rejected the claims based on the newly adopted legislation. This decision was upheld by a federal appeals court, and the U.S. Supreme Court refused to grant a further right of appeal.

#### 4.1.2 The EC position

The EC initiated a dispute settlement action under the DSU based on a number of asserted TRIPS inconsistent actions by the United States. The principal claims involved alleged inconsistencies with U.S. obligations under trademark provisions of TRIPS and incorporated rules of the Paris Convention. The most heavily relied upon was Article 6*quinquies*, Paris Convention, which embodies the so-called “*telle quelle*” or “*as is*” rule (see 3.1.2, above). This rule generally provides that the trademark registration authorities of a party must accept for registration a mark in the same form it has been previously registered in the trademark holder’s country of origin. This rule was designed to prevent trademark authorities from demanding changes to the form or appearance of marks to conform with national preferences, and to allow for the use of marks on a uniform basis throughout the Paris Convention system. The EC took this rule a step further, arguing not only must the mark be accepted for registration in the same form, but the mark must be accepted for registration, thereby attempting to convert a rule relating to form to a rule relating to conditions of registration.

The panel and the AB accepted that the rules of the Paris Convention are incorporated by reference in TRIPS, and treated the task of interpreting the Paris

#### 4. WTO jurisprudence

251

Convention as equivalent to interpreting the TRIPS Agreement. It is notable that the panel requested and received an extensive factual report from the WIPO International Bureau (or Secretariat) regarding the negotiating history of Article 6 *quinquies*, Paris Convention.<sup>275</sup> The panel relied on this negotiating history to confirm its interpretation of the Paris Convention.<sup>276</sup> The AB also relied on the WIPO-furnished report, as well as Professor Bodenhausen's Guide to the Paris Convention (1967) for interpretative guidance.<sup>277</sup>

##### 4.1.3 The Appellate Body's interpretation of the *telle quelle* rule under the Paris Convention

The panel and the AB both rejected the EC's claim concerning the *telle quelle* rule in Article 6 *quinquies* of the Paris Convention. Contrary to the view expressed by the EC, the AB interpreted the *telle quelle* rule as being limited to the *form* of a trademark. WTO Members are thus free to determine, through domestic legislation, the requirements for the filing and the registration of trademarks. The AB relied on Article 6(1) of the Paris Convention, which provides that

“The conditions for the filing and registration of trademarks shall be determined in each country of the Union by its domestic legislation.”

According to the AB, this provision would be undermined if Article 6 *quinquies* required Members to accept not only the form of a foreign mark, but equally another country's substantive conditions for the filing and registration of trademarks.<sup>278</sup>

<sup>275</sup> *United States – Section 211 Omnibus Appropriations Act of 1998*, Report of the Panel, WT/DS176/R, 6 Aug. 2001, at VI. The panel referred to its request and the reply (having furnished a summary of the reply), as follows:

“8.11 As mentioned previously, at the first substantive meeting, we informed the parties of our intention to seek information from the International Bureau of the World Intellectual Property Organization (‘WIPO’) pursuant to Article 13 of the DSU. The International Bureau of WIPO is responsible for the administration of the Paris Convention (1967) for the Protection of Industrial Property.

8.12 Article 13.1 of the DSU states that a panel has ‘the right to seek information and technical advice from any individual or body which it deems appropriate.’ Article 13.2 further provides that panels may ‘seek information from any relevant source and may consult experts to obtain their opinion on certain aspects of the matter.’

8.13 Pursuant to this authority vested in panels under Article 13, we requested, in a letter dated 1 February 2001, the International Bureau of WIPO to provide us with factual information, in particular the negotiating history and subsequent developments, concerning the provisions of the Paris Convention (1967) relevant to the dispute, including Articles 2(1), 6, *6bis*, *6quinquies* and 8 of the Paris Convention (1967). With respect to Article 6 *quinquies*, we requested any factual information on its intended scope. We also requested the International Bureau of WIPO to provide any factual information on whether the provisions of the Paris Convention (1967) regulate how the owner of a trademark is to be determined under domestic law of the Paris Union members. The International Bureau of WIPO responded to our request on 2 March 2001.” [footnote omitted]

<sup>276</sup> *Id.*, at para. 8.82.

<sup>277</sup> AB, *U.S. – Havana Club*, paras. 122–48 (see, e.g., footnote 81). The United States made extensive reference in its pleadings as an interpretative source to the guide to the Paris Convention prepared by Prof. Bodenhausen, a former senior WIPO official, during his tenure at WIPO.

<sup>278</sup> *Ibid.*, at paras. 139 *et seq.*

#### 4.1.4 The Appellate Body's interpretation of Articles 15 and 16 of the TRIPS Agreement

The panel and AB also rejected the EC's claims that Articles 15 and 16 mandated that the United States accept for registration a mark that its legislature had determined not to be lawfully owned by the party asserting ownership. The EC had argued that Article 15, which defines the nature of signs that are eligible for trademark protection, and Article 16, which defines the rights that must be accorded to trademark holders, require that the United States accept marks for registration. The USA argued that questions as to whether a mark qualifies for registration, and as to the rights of trademark owners, are distinct from the more primordial question as to who is the legitimate holder or owner of the mark. According to the U.S. view, Articles 15 and 16 do not purport to regulate the question of ownership.

In essence, the panel and AB endorsed this interpretation. They confirmed the authority of the United States to determine that it would not recognize claims to ownership based on foreign confiscations that offended the public policy of the forum state.

The panel and AB relied mainly on the plain language of Articles 15 and 16 to reject the EC's claim, and in confirming that interpretation noted the absence of TRIPS negotiating history that would support the EC's more expansive view of those provisions.

a) With respect to Article 15.1, the AB observed that trademarks "eligible" for registration are not *entitled* to protection; they only *qualify* for protection. In other words, the fact that a trademark meets all the distinctiveness requirements under Article 15.1 does not impose on Members the obligation to *automatically* provide for the registration of such mark. Registration may still be denied on the basis of other requirements (such as the question of trademark ownership) that each country may determine in its domestic legislation (see above).<sup>279</sup>

The AB supported this textual interpretation with several arguments relating to the context of Article 15.1. In particular, the AB stressed the significance of Article 15.2, authorizing Members to deny registration of trademarks on other grounds than those provided in Article 15.1. This implies, according to the AB, that Members are not obligated to register every sign meeting the distinctiveness requirements under Article 15.1.<sup>280</sup> Another contextual argument advanced by the AB was based on Article 6(1) of the Paris Convention. As under Article *6quinquies* of the Paris Convention (see above), the AB observed that the EC's interpretation of Article 15.1 would deprive WTO Members of the legislative discretion accorded to them by Article 6(1). If Members were obliged to automatically register any trademark meeting the distinctiveness criteria in Article 15.1, there would be no room for additional criteria set up in Members' domestic laws.<sup>281</sup>

Concerning Article 15.2, the EC had argued that the relevant U.S. legislation, besides violating Article 15.1, could not be justified on "other grounds" within the

<sup>279</sup> See report of the AB, at paras. 155 *et seq.*

<sup>280</sup> *Ibid.*, paras. 157–159.

<sup>281</sup> *Ibid.*, para. 165. The AB further relied on paragraphs 3 and 4 of Article 15 TRIPS to support its above interpretation of Article 15.1. See *ibid.*, paras. 160–164.

#### 4. WTO jurisprudence

253

meaning of Article 15.2.<sup>282</sup> In this context, the EC contended that those “other grounds” referred to in Article 15.2 were only those exceptions *expressly foreseen* in the Paris Convention or in TRIPS. Since neither the Paris Convention nor TRIPS expressly provided for a rule requiring, as a precondition for registration, a proof of ownership of the kind stipulated under the relevant U.S. legislation, such requirement could not be considered as being justified on “other grounds” within the meaning of Article 15.2.<sup>283</sup> The AB refused this interpretation, relying on Article 6(1) of the Paris Convention. The discretion of Paris Union countries to determine the conditions for the registration of trademarks include, according to the AB, the right to also determine the conditions to *refuse* a registration. The only limits to this latter right are those grounds explicitly prohibited by the Paris Convention.<sup>284</sup>

The AB thus expressed a view contrary to the EC’s interpretation: WTO Members may freely determine the grounds for the denial of trademark registration according to their domestic rules, unless those grounds are expressly prohibited by the Paris Convention or by TRIPS.

As to Article 16, the AB stated that neither this nor any other TRIPS provision contains a definition of trademark ownership.<sup>285</sup> The AB inferred from Article 6(1) of the Paris Convention (see above) that WTO Members have kept the discretion to regulate in their domestic laws the conditions for ownership of a trademark.<sup>286</sup>

##### 4.1.5 Points of disagreement between the panel and the AB in the *Havana Club* case

The AB overruled the panel on four aspects of its decision. For the purposes of the present chapter, the most important one concerned the question whether “trade names” are to be considered “intellectual property” in the sense of Article 1.2 of TRIPS.

The panel decided that “trade names” were not “intellectual property” within the meaning of Article 1.2, TRIPS Agreement, because they were not a “category” of Sections 1 through 7, Part II.<sup>287</sup> The panel went on to consider whether Article 2.1, TRIPS, by incorporating Article 8, Paris Convention (obligating parties to provide trade name protection), brought trade names within the scope of intellectual property covered by the Agreement. The panel reasoned that since Article 2.1 provided that the referenced Paris Convention articles were to be complied with “in respect of” Parts II, III and IV of TRIPS, and since those parts did not refer to trade names,

<sup>282</sup> See *ibid.*, para. 169. The AB, even though noting that *without a violation* of Article 15.1 TRIPS, an examination whether the relevant U.S. legislation would be justified on “other grounds” within the meaning of Article 15.2 would not be necessary, nevertheless decided to do so, referring to its obligation under Article 17.6 of the DSU to rule on alleged legal misinterpretations by a panel.

<sup>283</sup> *Ibid.*

<sup>284</sup> *Ibid.*, para. 176. For such explicit prohibition, see Article 6(2) of the Paris Convention, according to which a registration may not be refused or invalidated on the ground that filing, registration, or renewal, has not been effected in the country of origin.

<sup>285</sup> See the AB report at paras. 187 and 195.

<sup>286</sup> *Ibid.*, at para. 189.

<sup>287</sup> *United States – Section 211 Omnibus Appropriations Act of 1998*, Report of the Panel, WT/DS176/R, 6 Aug. 2001, at paras. 823–40.



Article 8, Paris Convention did not add obligations regarding trade names. The panel referred to the negotiating history to confirm its conclusion, though the references are somewhat tangential to its reasoning.

The AB disagreed with the panel. It said that the panel's interpretation of Article 1.2, TRIPS, was too restrictive, and essentially assumed that "intellectual property" was limited to the specific subject matter set out in the titles of the relevant sections of the agreement, ignoring that other subject matter is addressed within those sections.<sup>288</sup> Perhaps more importantly, the AB said that the panel's interpretation would effectively render useless the incorporation through Article 2.1 TRIPS of Article 8 of the Paris Convention (dealing exclusively with trade names), thus depriving Article 8 of "any and all meaning and effect".<sup>289</sup>

In addition to this interpretation concerning trade names, the AB reversed the panel's findings in three other respects, concerning the compatibility of the relevant U.S. legislation with TRIPS Articles 3 (national treatment obligation), 4 (most-favoured nation obligation), and 42 (fair and equitable judicial proceedings for the enforcement of IPRs).<sup>290</sup>

In sum, the *Havana Club* case illustrates the outstanding importance of the Paris Convention for the interpretation of TRIPS: most of the trademark-related arguments advanced by the AB are more or less directly based on the interpretation of Article 6(1) of the Paris Convention. This provision in turn indicates the WTO Members' large discretion as far as filing and registration conditions are concerned.

#### 4.2 Indonesia – Certain Measures Affecting the Automobile Industry

For the sake of completeness, it should be noted that the United States made certain trademark claims against Indonesia in the "*Indonesia – Cars*" case.<sup>291</sup> U.S., EC and Japanese claims in this case were primarily asserted under the Agreement on Subsidies and Countervailing Measures. However, as part of its National Car Programme, Indonesia required a joint venture or national company to acquire and maintain an Indonesian-registered trademark intended for that purpose. The idea was that the cars produced in the program would have an Indonesian character not dependent on a foreign brand name. The USA argued that this was inconsistent with the TRIPS national treatment rule because it provided a preference for Indonesian nationals in acquiring marks. The panel rejected this on ground that foreigners were entitled to register marks as well as Indonesians, even if

<sup>288</sup> In this context, the AB mentioned Part II, Section 5 of the TRIPS Agreement, the title of which only refers to "patents", although Articles 27(3)b also covers *sui generis* protection systems for plant varieties (see para. 335 of the AB's report).

<sup>289</sup> *Ibid.*, para. 338.

<sup>290</sup> For a detailed analysis of the AB's interpretation of these provisions, see Chapter 4 and 30, respectively. The AB's arguments with respect to Articles 3 and 4 TRIPS are also presented by F. Abbott, *WTO Dispute Settlement Practice Relating to the TRIPS Agreement*, in: WTO Jurisprudence 1995–2002 Law and Dispute Settlement Practice of the World Trade Organization, Kluwer Publishers, Studies in Transnational Economic Law, 2003, under I. C. See also UNCTAD, *Course on Dispute Settlement*, Module 3.14 (TRIPS) (F. Abbott), Section 5.5 (available at <[http://www.unctad.org/en/docs/edmmisc232add18\\_en.pdf](http://www.unctad.org/en/docs/edmmisc232add18_en.pdf)>).

<sup>291</sup> Report of the Panel, WT/DS54/R, WT/DS55/R, WT/DS59/R, WT/DS64/R, 2 July 1998.

#### 4. WTO jurisprudence

255

Indonesian-owned marks had a preference in respect to a subsidy program. The USA also argued that the Indonesian program discriminated against foreigners in the maintenance of marks since it did not allow foreign holders to use their globally-recognized marks in the local market on the same basis as Indonesian-owned marks. Again, the panel noted that foreign owners were entitled to maintain and use their marks in Indonesia, but only to not have the benefits of a particular subsidized program. Finally, the USA argued that the Indonesian program was inconsistent with Article 20, TRIPS Agreement (as well as the Article 65.5 requirement not to lessen the degree of consistency with TRIPS rules), because Indonesia was imposing special requirements on the use of marks in connection with participation in its program. It said that if a mark was used in the program, it could not be used elsewhere, and this would deprive the owner of the mark's potential value. The panel said that the developer and owner of a mark used in the program would be well aware at the outset that the subject mark would be restricted in its use, and thus the Indonesian rule did not amount to a "requirement" for use of the mark in the sense of Article 20. The panel also said that while only Indonesia-owned marks would benefit from the program, this was not a fact tied to the mark as such, but rather was a condition of participating in the program. This did not constitute a "requirement" regarding the use of a foreign-origin mark.

In the *Indonesia-Cars* dispute, the United States attempted to transform part of a subsidies-goods dispute (on which it had some success) into a TRIPS dispute. The Indonesian programme favoured domestic production, and it also favoured local trademark holders to the extent they were able to participate in the program. The panel avoided the suggestion to adopt a very broad view of TRIPS Agreement obligations that might effectively convert all domestic preference programmes into IPR discrimination programmes.

#### 4.3 EC – Protection of Trademarks and GIs

Following separate requests by Australia<sup>292</sup> and the USA,<sup>293</sup> the WTO Dispute Settlement Body (DSB) at its meeting on 2 October 2003 established a single panel<sup>294</sup> to examine complaints with respect to EC Council Regulation (EEC) No. 2081/92 of 14 July 1992<sup>295</sup> on the protection of geographical indications and designations of origin for agricultural products and foodstuffs. The complaints are based, *inter alia*, on alleged violations of Articles 16 (rights conferred upon the trademark holder) and 20 (prohibition of special requirements for the use of trademarks).<sup>296</sup>

The pertinent EC Regulation in Article 14 provides protection against the registration of trademarks corresponding to protected geographical indications.

<sup>292</sup> WT/DS290/18 of 19 August 2003.

<sup>293</sup> WT/DS174/20 of 19 August 2003.

<sup>294</sup> *European Communities – Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs* [hereinafter "EC – Protection of Trademarks and GIs"], WT/DS174/21 and WT/DS290/19 of 24 February 2004, Constitution of the Panel Established at the Requests of the United States and Australia.

<sup>295</sup> See Official Journal of the European Communities (OJEC) L 208 of 24 July 1992, pp. 1–8.

<sup>296</sup> See the above requests by Australia and the USA for the establishment of a panel.

According to this provision,<sup>297</sup> such trademarks relating to the same product shall be refused registration or declared invalid

- in case the application for registration of the trademark was submitted *after* the application for GI registration was published;
- or in case the application for registration of the trademark was submitted *before* the application for GI registration was published, provided that that publication occurred before the trademark was registered.

In other terms, the only situation under which a corresponding trademark may remain valid is where the application for GI registration is published only after the *bona-fide* registration of the trademark. But even under those circumstances, use of the trademark will be discontinued where<sup>298</sup>

- the trademark consists exclusively of signs or indications which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, geographical origin, or the time of production of the goods or of rendering of the service, or other characteristics of the goods;
- or where the trademark is of such a nature as to deceive the public, for instance as to the nature, quality or geographical origin of the goods or service;
- or where the trademark, after the date on which it was registered, in consequence of the use made of it by the proprietor of the trademark or with his consent in respect of the goods or services for which it is registered, is liable to mislead the public, particularly as to the nature, quality or geographical origin of those goods or services.

Since the establishment of the panel, there has been no further WTO action in this dispute (as of July 2004).

## 5. Relationship with other international instruments

### 5.1 WTO Agreements

As noted earlier, Article XX(d) of GATT 1994 (as successor to the GATT 1947) authorizes Members to adopt measures necessary to protect trademarks (and against unfair competition), and Articles XIII and XVIII preclude interference with trademarks in connection with the adoption of certain safeguard measures.

GATT Article XI prohibits the use of measures other than duties (such as quotas or related measures) to restrict imports or exports. Some commentators have argued that GATT Article XI precludes the adoption of rules restricting the parallel importation of trademarked goods, noting that Article 6 refers only to claims regarding exhaustion arising under TRIPS (and therefore does not preclude recourse to the GATT on this question).<sup>299</sup> Further, it is argued that rules prohibiting parallel

<sup>297</sup> See Article 14(1) of the above EC Regulation.

<sup>298</sup> See Article 14(2) of the above EC Regulation, referring to the First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the member states relating to trademarks.

<sup>299</sup> See Cottier. For a detailed analysis of the issue of exhaustion of IPRs and Article 6 TRIPS, see Chapter 5.

## 5. Relationship with other international instruments

257

imports function as quotas and are unnecessary to protect trademarks since parallel import goods are initially placed on the market by the trademark holder or with its consent.<sup>300</sup> This line of reasoning has long been employed by the European Court of Justice to reject the use of national trademarks to block the free movement of goods within the EU (referring to Articles 28 and 30, EC Treaty), and it might logically be extended to the WTO context. Others have argued that TRIPS is *lex specialis* regulating IPRs within the framework of the WTO, that Article 6 allows Members to adopt their own policies with respect to exhaustion, and that this effectively precludes reference to GATT on this subject.<sup>301</sup>

The express text of Article 6 refers only to exhaustion claims “under this Agreement”. If the Appellate Body’s instruction to give effect to the words of the WTO Agreements is followed, there is no reason why the question of parallel importation of trademarked goods cannot be evaluated under the GATT. This does not necessarily lead to the conclusion that rules restricting parallel trade would be rejected as unnecessary quotas since the AB might say that (a) TRIPS permits a Member to adopt its own policy on exhaustion (b) if it exercises its discretion in favour of national exhaustion only, then in that context (c) blocking parallel imports may be necessary to protect the rights of the trademark owner. In any case, this interpretative question has yet to be addressed by a panel or the Appellate Body.

With respect to WTO Agreements other than the GATT, trademarks do not purport to be dependent for their validity on the characteristics of products or region of production (unlike geographical indications that might depend for their validity on certain objective characteristics and thereby potentially raise concerns under the TBT Agreement).<sup>302</sup> Trademarks are regulated by TRIPS as identifiers that permit consumers to distinguish between goods and services, and there is no specific connection between trademarks and any other WTO Agreement. As was suggested by the *Indonesia – Cars* case, this does not mean that trademark-related issues will not be raised in the context of disputes arising under other WTO Agreements. However, as the panel observed in that case, questions regarding trademarks that surface in disputes involving other WTO Agreements are likely to involve attempts to expand TRIPS into a market access agreement, which it is not.

### 5.2 Other international instruments

The trademark provisions of TRIPS are closely linked to various agreements administered by WIPO. The Paris Convention, directly incorporated by reference in TRIPS, differs from the latter in various respects, for example as far as the

<sup>300</sup> This is said without prejudice to the question whether parallel importation may be based on compulsory licensing of patents. There is no compulsory licensing of trademarks permitted under Article 21, TRIPS Agreement.

<sup>301</sup> See Marco C.E.J. Bronckers, *The Exhaustion of Patent Rights under World Trade Organization Law*, 32 J. World Tr. 137–159 (No. 5, 1998). See also Chapter 5.

<sup>302</sup> For more details on the potential conflict between the TBT rules and the TRIPS provisions on geographical indications, see Chapters 15 and 34.

assignment of trademarks is concerned:<sup>303</sup> under Article 6*quater* of the Paris Convention, it is up to the parties to decide whether a trademark assignment is valid only together with the transfer of the business to which the trademark belongs. By contrast, Article 21 obligates Members to provide for the possibility of a “naked assignment” of marks (see above, Subsection 3.7). Thus, WTO Members are denied the discretion accorded to them under the Paris Convention to make the validity of a trademark assignment dependent on the parallel transfer of the business. As to the relationship between these opposite provisions, the pertinent provision of the Vienna Convention on the Law of Treaties (Article 30.3) stipulates that a more recent treaty takes precedence over an earlier one. In the case of the Paris Convention and TRIPS, the latter therefore prevails. However, this concerns only those countries parties to both agreements, Article 30.4(a) of the Vienna Convention. When the parties to the later treaty do not include all the parties to the earlier one, Art. 30.4(b) provides that:

(b) as between States parties to both treaties and a State party to only one of the treaties, the treaty to which both States are parties governs their mutual rights and obligations.

Consequently, the limitation of state sovereignty with respect to the transfer of the business as pronounced in Article 21 affects all Members of the WTO when dealing with trademark holders from other WTO Member countries.<sup>304</sup> In case a mark holder from a *non*-WTO Member<sup>305</sup> intends to assign her/his mark to a national from a WTO Member, however, the latter is not bound by Article 21 and may thus require, according to Article 6*quater* Paris Convention, the transfer of the business along with the trademark (provided the assigned mark is one that is registered or used in that WTO Member’s territory).

Trademarks are also regulated by the Nice Agreement Concerning the Classification of Goods and Services for the Purposes of the Registration of Marks (1957) (see discussion above). The Trademark Law Treaty adopted in 1994 establishes uniform rules regarding trademark applications, prohibiting requirements other than those set out in the agreement.

WIPO also administers two agreements providing mechanisms for registration of marks in multiple jurisdictions, the Madrid Agreement Concerning the International Registration of Marks (1891, as revised) and the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (1989). An international system for the registration of trademarks is obviously important to their acquisition and maintenance and represents a partial trend towards integration of the global IPRs framework. There is not, however, a specific correlation

<sup>303</sup> Another important difference exists with respect to the protection of service marks, see above, Subsection 3.1.1.

<sup>304</sup> This is in conformity with Article 2.1 TRIPS, which prohibits the derogation by WTO Members from, *inter alia*, their *obligations* under the Paris Convention. Article 21 TRIPS does not obligate Members to disregard any Paris obligation; it obliges them to waive a *right* they have under that Convention.

<sup>305</sup> Such as Russia, for instance, which is not (yet) a Member of the WTO, but a State party to the Paris Convention.

## 6. New developments

259

between the Madrid registration system and TRIPS trademark rules that merits further exploration at this stage.

## 6. New developments

### 6.1 National laws

Many WTO Members have amended their IPRs laws, including the trademark provisions, to establish consistency with TRIPS. It is not within the scope of this book to review all these developments.

In the United States, the only change to trademark law specifically made in the Uruguay Round Agreements Act was to clarify that non-use of a trademark for three consecutive years constitutes prima facie evidence of abandonment.<sup>306</sup> However, prior to conclusion of the TRIPS negotiations the U.S. Lanham Act regulating trademarks was amended to provide for the filing of trademark applications prior to actual use (see discussion above at Section 3), and this action was undertaken in light of the TRIPS negotiations (as well as the contemporaneous NAFTA negotiations).

In 1999 the U.S. Treasury Department adopted so-called “Lever-rules” which permit the blocking of parallel import trademarked goods which are materially different from identically-marked goods marketed in the United States, *unless* the importer places a conspicuous notice on the goods indicating that they are materially different, in which case such goods *may* be parallel imported.<sup>307</sup> This rule must be read in the context of the general rule applicable to trademarked goods, which is that goods placed on the market outside the United States by an enterprise under “common control” with the U.S. trademark owner may be parallel imported, but goods placed on the market by a third party licensee may not be.<sup>308</sup> In this context, the “Lever rules” limit to a certain extent the general principle that parallel imports are allowed when commonly controlled enterprises are involved.

<sup>306</sup> URAA, §521.

<sup>307</sup> U.S. trademark holders may notify the Customs Service of goods which are claimed to embody “physical and material differences between the specific articles authorized for importation or sale in the United States and those not so authorized.” (19 CFR §133.2 (e) (“Lever-rule’ protection”). Supporting evidence must be provided. The Customs Service will prohibit importation of “gray market” goods produced by commonly controlled enterprises which it has determined to be physically or materially different (19 CFR §133.23(a)(3)); *unless* such goods or their packaging “bears a conspicuous and legible label designed to remain on the product until the first point of sale to a retail consumer in the United States stating that: ‘This product is not a product authorized by the United States trademark owner for importation and is physically and materially different from the authorized product.’ The label must be in close proximity to the trademark as it appears in its most prominent location on the article itself or the retail package or container. . . .” (19 CFR §133.23 (b)).

<sup>308</sup> This rule was adopted by the U.S. Supreme Court as a matter of statutory interpretation in the *K mart Corp. v. Cartier*, 486 U.S. 281 (1988). For a detailed discussion of U.S. rules in this area, see Frederick M. Abbott, *Political Economy of the U.S. Parallel Trade Experience: Toward a More Thoughtful Policy*, 4 World Trade Forum (Thomas Cottier and Petros Mavroidis eds. 2002)(University of Michigan Press).

## 6.2 International instruments

### 6.2.1 ICANN

The evolution of the Internet “domain name” has had a significant impact on the development of international trademark law. In response to complaints from trademark owners concerning the unauthorized use of marks in domain names, and especially the use of those domain names in bad faith (such as to redirect Internet users to pornographic websites, or to sell the domain name to the trademark owner for a substantial price), WIPO initiated a process that culminated in the adoption by the Internet Corporation for Assigned Names and Numbers (ICANN) of the Uniform Domain Name Dispute Resolution Policy (UDRP). The UDRP applies to all domain names registered under the main generic top level domains (such as “.com” and “.org”), as well as to a variety of country code domains. ICANN has authorized several dispute resolution service providers, including the WIPO Arbitration and Mediation Centre, to make determinations regarding whether particular domain names have been registered and used abusively. The determinations are made by administrative panellists appointed by the service providers. By almost all accounts, the system developed by WIPO and adopted by ICANN has been successful in bringing a reasonable degree of legal order to the field of Internet domain names.

What is of particular interest regarding the UDRP system is its inherently multilateral character, in the absence of a traditional international legal framework (that is, a governing treaty). ICANN is a U.S.-chartered body with a multinational governing board that establishes rules for operation of the Internet, and the UDRP functions under authority of ICANN. The relationship between the dispute settlement providers (such as the WIPO Centre) and domain name holders is established by contract (i.e., the domain name registration agreement).

Panellists deciding cases under the UDRP are not infrequently called upon to resolve trademark disputes involving parties from different countries, invoking rights under various national trademark laws. Partly as a result of the harmonizing effect of the trademark rules of TRIPS (which have been referenced in a number of UDRP decisions), panellists have been able to adopt more or less common approaches to questions involving conflicts between trademarks and domain names.

The success of the UDRP process may presage the development of other streamlined IP dispute resolution systems.

### 6.2.2 WIPO and Paris Union Joint Recommendations

The Paris Union Assembly and the General Assembly of WIPO have so far adopted three Joint Recommendations, concerning provisions on the protection of well-known marks, trademark licenses and provisions on the protection of marks, and other industrial property rights in signs, on the Internet.<sup>309</sup> Such recommendations are of non-binding character; WIPO countries are thus not obligated to adopt

<sup>309</sup> See <<http://www.wipo.org/about-ip/en/index.html?wipo.content.frame=/about-ip/en/trademarks.html>>.

## 6. New developments

261

the higher standards contained therein in their domestic laws. However, India for example has proposed to integrate the Recommendation on the protection of well-known marks into her 1999 draft trademark law.<sup>310</sup> Bilateral free trade agreements refer specifically to the WIPO Joint Recommendation on well-known Marks. For example, in the agreement between Chile and the U.S. the parties commit themselves to be guided by the principles contained in the Recommendation.<sup>311</sup>

### 6.3 Regional and bilateral contexts

#### 6.3.1 Regional

**6.3.1.1 Andean Group.** Decision 486 of the Andean Group<sup>312</sup> regulates the field of trademarks in detail. National trademark authorities of the Member Countries remain responsible for implementing the Decision, including by acting as registration authorities. Decision 486 provides for the international exhaustion of trademark rights, stating:

“Article 158. Trademark registration shall not confer on the owner the rights to prevent third parties from engaging in trade in a product protected by registration once the owner of the registered trademark or another party with the consent of or economic ties to that owner has introduced that product into the trade of any country, in particular where any such products, packaging or packing as may have been in direct contact with the product concerned have not undergone any change, alteration, or deterioration.

For the purposes of the preceding paragraph, two persons shall be considered to have economic ties when one of the persons is able to exercise a decisive influence over the other, either directly or indirectly, with respect to use of the trademark right or when a third party is able to exert that influence over both persons.”

Regarding the licensing of marks, Decision 486 requires the registration of licensing agreements with the competent authority of the member country concerned. Article 163 provides that,

“The competent national authority shall not register any trademark licensing agreements or assignments or transfers that do not conform to the provisions of the Common Regime for the Treatment of Foreign Capital and for Trademarks, Patents, Licenses, and Royalties, or that do not conform to Andean Community or domestic antitrust.”

**6.3.1.2 European Union.** The EU regulates extensively in the field of trademarks, and there is a substantial jurisprudence on the subject of marks by the European

<sup>310</sup> J. Watal, *Intellectual Property Rights in the WTO and Developing Countries*, Kluwer Law International, 2001, p. 394.

<sup>311</sup> See Article 17.1.9, FTA between Chile and the United States.

<sup>312</sup> Commission of the Andean Community, Decision 486, Common Intellectual Property Regime, 14 Sept. 2000, available at <<http://www.ictsd.org/iprsonline/legalinstruments/regional.htm>>.



Court of Justice (ECJ). Until adoption of the First Trade Marks Directive in 1988,<sup>313</sup> trademarks were almost exclusively regulated by member state legislation. The major exception involved questions relating to free movement of goods (i.e., intra-Union exhaustion) in which the ECJ took an active interest. The First Trade Marks Directive has established a set of approximated trademark rules that member states are required to reflect in national trademark law. As to protectable subject matter, the Directive obligates member states to protect as trademarks “any sign capable of being represented graphically”.<sup>314</sup> According to the ECJ, this does *not* mean that the respective sign must be capable of being perceived visually, provided that the sign

“can be *represented graphically*, particularly by means of images, lines or characters, and that the representation is clear, precise, self-contained, easily accessible, intelligible, durable and objective.”<sup>315</sup>

With respect to *olfactory signs*, the requirement of graphic representability is neither satisfied by a chemical formula, nor by a description in written words, nor by a deposit of an odour sample or by a combination of these elements.<sup>316</sup>

Under the Trade Marks Directive, marks remain independent within each member state, and registration functions and adjudication of disputes is a national matter. In addition to the Directive, the 1993 Community Trade Mark Regulation was adopted,<sup>317</sup> and this created a new situation for the EU. Although member states would continue to maintain their own trademark registration systems, it would now be possible to obtain a single Community Trade Mark (CTM) extending rights throughout the EU. A Community trademark authority was established (the Office for Harmonization in the Internal Market (OHIM)) in Alicante, Spain, which performs registration functions, including the conduct of opposition proceedings. Adjudication of trademark infringement actions is somewhat complex, because an action to invalidate and cancel a mark is conducted before the OHIM, while the infringement proceeding is pending in a member state court authorized to hear infringement claims. The CTM is “indivisible” in the sense that it may

<sup>313</sup> First Council Directive of 21 December 1988 to approximate the laws of the Member States relating to trade marks (89/104/EEC).

<sup>314</sup> See Article 2 of the Directive: “A trade mark may consist of any sign capable of being represented graphically, particularly words, including personal names, designs, letters, numerals, the shape of goods or of their packaging, provided that such signs are capable of distinguishing the goods or services of one undertaking from those of other undertakings”.

<sup>315</sup> *Ralf Sieckmann v Deutsches Patent- und Markenamt* (Case C-273/00), Court of Justice of the European Communities, European Court Reports 2002, p. I-11737, 12 December 2002, at para. 55 (emphasis added).

<sup>316</sup> *Ibid.*, at para. 73. The ECJ argues that a chemical formula is not sufficiently intelligible to make people recognise the odour in question. In addition, a chemical formula does not represent the odour of a substance, but the substance *as such* (para. 69). The written description of an odour, even though being graphic, is not sufficiently clear, precise and objective (para. 70). The deposit of an odour sample does not constitute a graphic representation; neither is such a sample sufficiently stable or durable (para. 71). Finally, even a combination of all those elements does not satisfy the requirements of clarity and precision of the graphic representation (para. 72).

<sup>317</sup> Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark.

## 6. New developments

263

not be assigned and transferred in respect to a part of EU territory, although it is possible to grant licenses limited to a part of the EU.

There are many interesting aspects to the EU's trademark system, which is rather complicated owing to the integration of long-standing member state trademark systems with a unified CTM system. For present purposes, it is of particular interest to refer to the attitude of the EU with respect to exhaustion of trademarks.<sup>318</sup> The ECJ developed and has long recognized a doctrine of "intra-Community" or "intra-Union" exhaustion, in which it is understood that importation of a good placed on the market by or with the consent of the trademark owner in one member state may not be blocked by invocation of a parallel trademark in another member state. There are many ECJ decisions that address nuanced questions that arise in respect to this basic rule. For example, pharmaceutical trademark holders have attempted to prevent parallel trade within the EU by registering different marks for the same medicine in different member states. Unless an importer changes the trademark on the medicine to reflect the particular mark used in the importing country, pharmacists may be resistant to dispensing the "foreign" product (or medicines registration rules may even prohibit its marketing). The ECJ has decided that in these circumstances an importer has the right to re-brand the medicine since otherwise the pharmaceutical producers would be able to circumvent the intra-Union exhaustion rule, subject to the condition that this is done in a way to protect the consumer.<sup>319</sup>

Perhaps of most direct relevance to the WTO and TRIPS Agreement was the decision of the ECJ in *Silhouette v. Hartlauer*.<sup>320</sup> In that case, the ECJ interpreted the First Trade Marks Directive to adopt a rule of intra-Community exhaustion of trademarks only, and by extension to exclude a rule of international exhaustion for the Community. The Court reasoned that the member states should have only a single policy on exhaustion, and since several of them did not recognize a doctrine of international exhaustion, it would create a difficult situation to allow different policies for different members. Although this reasoning is open to question (since the situation of different policies had existed for many years without apparent trouble), the EU today maintains a single policy of intra-Community exhaustion of trademarks. Therefore, the owner of a trademark within the Community may block parallel imports from outside the Community.<sup>321</sup>

<sup>318</sup> See also Chapter 5.

<sup>319</sup> See *Bristol-Myers Squibb v. Paranova*, ECJ Joined Cases C-427/93, C-429/93 and C-436/93; *Upjohn v. Paranova*, ECJ Case C-379/97 and *Boehringer v. Swingard*, ECJ Case C-143/00, and by the EFTA Court, *Paranova Inc v. Merck & Co*, Case E-/302.

<sup>320</sup> *Silhouette International Schmied GmbH & Co, KG v. Hartlauer Handelsgesellschaft mbH* (Case C-355/96), Court of Justice of the European Communities, [1998] 2 CMLR 953, 16 July 1998.

<sup>321</sup> It is interesting to note that the EFTA Court in its interpretation of the same EU Trade Marks Directive has come to the opposite conclusion: according to the EFTA Court, the Trade Marks Directive leaves EFTA countries the freedom to maintain a system of international trademark exhaustion. See *Mag Instrument Inc./California Trading Company Norway, Ulsteen*, (Case E-2/97), in *Gewerblicher Rechtsschutz und Urheberrecht (GRUR) Int.* 1998, p. 309 et seq. (3 December 1997).

**6.3.1.3 NAFTA.** Article 1708 of the NAFTA addresses trademarks in a manner that effectively incorporates TRIPS requirements in this regional framework (that was negotiated contemporaneously with TRIPS). While there are certain minor differences (e.g., the minimum period for renewal is ten years, rather than the seven-year standard of TRIPS), none appear to raise any issues of particular interest from a TRIPS implementation standpoint.

**6.3.1.4 MERCOSUL/R.** On 5 August 1995, the Mercosul/r Council adopted a Protocol on the Harmonization of Norms regarding Intellectual Property in the Mercosul/r in Matters of Trademarks, Indications of Source and Appellations of Origin.<sup>322</sup> In that Protocol, the state parties commit themselves to observing the rules of the Paris Convention and TRIPS (Article 2). There are additional common rules concerning the subject matter of protection (Articles 5–6), the rights conferred by registration (Article 11), procedures for registration and cancellation (Articles 7–10, 15) and use of marks (Article 16). For the most part, however, the details of trademark law in the Mercosul/r are left to the national authorities.

#### **6.4 Proposals for review**

There are no pending proposals for review of the trademark provisions of TRIPS.

### **7. Comments, including economic and social implications**

#### **7.1 The opportunities**

Economists are confident that there are significant net benefits to a well-functioning trademark system in market economies.<sup>323</sup> It is generally acknowledged that trademarks serve a useful social and economic function by providing consumers with information that assists them to sort through a complex marketplace. Indeed, trademark protection could be particularly valuable in developing countries because of the potential to develop brand recognition for high-quality crafts, clothing, and music.<sup>324</sup> Enterprises in developing countries may establish their own market identities through appropriate trademarks and offer products that can be distinguished from those already on the market. Subject to the respect of Article 20 (special requirements, see above), governments in some developing countries may consider policies and incentives that encourage foreign firms to allow licensees to adapt more of the licensed products for both domestic and export needs and promote the use of local trademarks. The success of Japanese industry in importing foreign technology while developing indigenous marks constitutes an example for other countries to emulate, even if countries at lower stages of development may have less bargaining power when formulating appropriate regulations and may, therefore, remain more dependent on the introduction of foreign marks.

<sup>322</sup> MERCOSUR/CMC/DEC. No. 8/95, available at <http://www.mercosur.org.uy/espanol.snor/normativa/decisiones/DEC895.htm>.

<sup>323</sup> See *The TRIPS Agreement and Developing Countries*, UNCTAD 1996, paras. 188 et seq. [hereinafter UNCTAD 1996].

<sup>324</sup> See UNCTAD 1996, para. 189; see also Policy Discussion Paper, p. 69.

## 7. Comments, including economic and social implications

265

Apart from the promotion of local marks, strengthened trademark regimes may also encourage both direct investment and licensing by foreign producers who seek to monitor quality and to maintain brand names and goodwill in the international market generally. On the whole, more technology will be licensed to domestic firms when the licensor can both lower transaction costs by recourse to standard intellectual property norms and maintain quality controls through trademark licence agreements. Local production under licence again reduces the need for imports and helps to build an industrial infrastructure.

There are few grounds on which to quarrel with the proposition that businesses should be able to protect their identity in the marketplace. For this reason, the basic proposition that trademarks should be protected against misappropriation was subject to little controversy during the Uruguay Round negotiations, and that basic proposition is similarly non-controversial today. In an integrated world market where products of different countries circulate freely and prices are determined by open competition, it is hard to see any social benefits resulting from a toleration of trade in counterfeit goods to any country, at least in the medium and long term. Border controls are thus a logical outgrowth of both the provisions on trademarks in general and the provisions that incorporate the international standards of unfair competition law set out in Article 10*bis* of the Paris Convention into TRIPS. Hence, the imposition of border controls to repress imports of counterfeit goods represents one significant result of TRIPS, provided that countries implement these measures in a genuinely non-discriminatory fashion and do not erect disguised barriers to trade.<sup>325</sup>

### 7.2 The challenges

TRIPS may require changes in legislation with regard to several aspects of trademark law, including strengthening protection of service-marks and of well-known marks. In this area, however, the implementation of enforcement rules and, particularly, requirements related to border measures, may have greater implications than the provisions relating to the availability of rights as such.

In addition, as with all forms of private ownership of property, questions arise concerning the rights of ownership and where the most appropriate boundary lines are to be drawn. Next to the issue of the scope of fair use rights, the question of whether mark holders should be permitted to block parallel trade that acquires particular importance in this context.

TRIPS allows each Member to determine its own policy with respect to parallel imports. Such imports, if allowed by national legislation, are one of the instruments that may be used to tackle excessive pricing or other unreasonable commercial conditions eventually imposed by trademark owners. Parallel trade may foster sound competition, to the extent that it permits access to legitimate products commercialized under more favourable conditions abroad. This may avoid price discrimination to the detriment of the consumer and increase the social gains of the protection. The realization of these gains, however, may be impaired if the use of trademarks on parallel imported products creates confusion for the public about the quality and other characteristics of the protected products or

<sup>325</sup> UNCTAD 1996, para. 194.

services. In addition, there is a need to assure coherence between domestic exhaustion regimes in trademark law and patent law. Parallel importation of trademarked goods such as pharmaceuticals will be most efficient as a remedy against excessive pricing if the WTO Member in question follows the rule of international exhaustion in respect of both trademarks and patents.<sup>326</sup>

Whether there will be trademark-related problems from the standpoint of developing country interests depends on whether the Appellate Body will allow a reasonable level of discretion to each Member to define its own interests in trademark protection. So far, the Appellate Body has stressed that Members are required to comply with the terms of the Agreement, but are not obligated to fulfil the expectations of other Members regarding what the agreement might have said, but did not.

Of course, large multinational enterprises use trademarks to promote their goods, and those trademarks have themselves become associated with the process referred to by some in a pejorative sense as “globalization”. As a visible symbol of capitalism, well-known trademarks may be the subject of popular attack. Yet it might be wise to resist the temptation to associate the identifier with the underlying problem. Trademarks may be an instrument of powerful multinational corporations, but they are also an instrument of the small businessperson. Trademarks are a form of intangible property that is capable of being abused. From the standpoint of promoting and protecting developing country interests, it is a matter of exercising vigilance over the misuse of trademarks and other IPRs. Accordingly, strengthened trademark regimes should be complemented with up-to-date regulations dealing directly with the abusive licensing practices that may flow from market power.<sup>327</sup>

<sup>326</sup> In case a country has adopted the rule of international exhaustion in the field of trademarks, but follows a national exhaustion regime in the patent area, companies holding a domestic trademark and patent on the same pharmaceutical product cannot oppose parallel imports of such product on the basis of their domestic trademark, but may do so on the basis of their domestic patent. This does leave open the possibility to import other drugs not covered by the patent, but nevertheless seriously limits the efficacy of price control (in particular where there are no generic alternatives to a patented drug).

<sup>327</sup> See UNCTAD 1996, at para. 193.

## 15: Geographical Indications

### Article 22 Protection of Geographical Indications

1. Geographical indications are, for the purposes of this Agreement, 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.
2. In respect of geographical indications, Members shall provide the legal means for interested parties to prevent:
  - (a) the use of any means in the designation or presentation of a good that indicates or suggests that the good in question originates in a geographical area other than the true place of origin in a manner which misleads the public as to the geographical origin of the good;
  - (b) any use which constitutes an act of unfair competition within the meaning of Article 10*bis* of the Paris Convention (1967).
3. A Member shall, ex officio if its legislation so permits or at the request of an interested party, refuse or invalidate the registration of a trademark which contains or consists of a geographical indication with respect to goods not originating in the territory indicated, if use of the indication in the trademark for such goods in that Member is of such a nature as to mislead the public as to the true place of origin.
4. The protection under paragraphs 1, 2 and 3 shall be applicable against a geographical indication which, although literally true as to the territory, region or locality in which the goods originate, falsely represents to the public that the goods originate in another territory.

### Article 23 Additional Protection for Geographical Indications for Wines and Spirits

1. Each Member shall provide the legal means for interested parties to prevent use of a geographical indication identifying wines for wines not originating in the place indicated by the geographical indication in question or identifying spirits for spirits not originating in the place indicated by the geographical indication in question, even where the true origin of the goods is indicated or the geographical

indication is used in translation or accompanied by expressions such as "kind", "type", "style", "imitation" or the like.\*

2. The registration of a trademark for wines which contains or consists of a geographical indication identifying wines or for spirits which contains or consists of a geographical indication identifying spirits shall be refused or invalidated, ex officio if a Member's legislation so permits or at the request of an interested party, with respect to such wines or spirits not having this origin.

3. In the case of homonymous geographical indications for wines, protection shall be accorded to each indication, subject to the provisions of paragraph 4 of Article 22. Each Member shall determine the practical conditions under which the homonymous indications in question will be differentiated from each other, taking into account the need to ensure equitable treatment of the producers concerned and that consumers are not misled.

4. In order to facilitate the protection of geographical indications for wines, negotiations shall be undertaken in the Council for TRIPS concerning the establishment of a multilateral system of notification and registration of geographical indications for wines eligible for protection in those Members participating in the system.

[Footnote]\* Notwithstanding the first sentence of Article 42, Members may, with respect to these obligations, instead provide for enforcement by administrative action.

#### Article 24 International Negotiations; Exceptions

1. Members agree to enter into negotiations aimed at increasing the protection of individual geographical indications under Article 23. The provisions of paragraphs 4 through 8 below shall not be used by a Member to refuse to conduct negotiations or to conclude bilateral or multilateral agreements. In the context of such negotiations, Members shall be willing to consider the continued applicability of these provisions to individual geographical indications whose use was the subject of such negotiations.

2. The Council for TRIPS shall keep under review the application of the provisions of this Section; the first such review shall take place within two years of the entry into force of the WTO Agreement. Any matter affecting the compliance with the obligations under these provisions may be drawn to the attention of the Council, which, at the request of a Member, shall consult with any Member or Members in respect of such matter in respect of which it has not been possible to find a satisfactory solution through bilateral or plurilateral consultations between the Members concerned. The Council shall take such action as may be agreed to facilitate the operation and further the objectives of this Section.

3. In implementing this Section, a Member shall not diminish the protection of geographical indications that existed in that Member immediately prior to the date of entry into force of the WTO Agreement.

4. Nothing in this Section shall require a Member to prevent continued and similar use of a particular geographical indication of another Member identifying

**1. Introduction: terminology, definition and scope**

wines or spirits in connection with goods or services by any of its nationals or domiciliaries who have used that geographical indication in a continuous manner with regard to the same or related goods or services in the territory of that Member either (a) for at least 10 years preceding 15 April 1994 or (b) in good faith preceding that date.

5. Where a trademark has been applied for or registered in good faith, or where rights to a trademark have been acquired through use in good faith either:

(a) before the date of application of these provisions in that Member as defined in Part VI; or

(b) before the geographical indication is protected in its country of origin; measures adopted to implement this Section shall not prejudice eligibility for or the validity of the registration of a trademark, or the right to use a trademark, on the basis that such a trademark is identical with, or similar to, a geographical indication.

6. Nothing in this Section shall require a Member to apply its provisions in respect of a geographical indication of any other Member with respect to goods or services for which the relevant indication is identical with the term customary in common language as the common name for such goods or services in the territory of that Member. Nothing in this Section shall require a Member to apply its provisions in respect of a geographical indication of any other Member with respect to products of the vine for which the relevant indication is identical with the customary name of a grape variety existing in the territory of that Member as of the date of entry into force of the WTO Agreement.

7. A Member may provide that any request made under this Section in connection with the use or registration of a trademark must be presented within five years after the adverse use of the protected indication has become generally known in that Member or after the date of registration of the trademark in that Member provided that the trademark has been published by that date, if such date is earlier than the date on which the adverse use became generally known in that Member, provided that the geographical indication is not used or registered in bad faith.

8. The provisions of this Section shall in no way prejudice the right of any person to use, in the course of trade, that person's name or the name of that person's predecessor in business, except where such name is used in such a manner as to mislead the public.

9. There shall be no obligation under this Agreement to protect geographical indications which are not or cease to be protected in their country of origin, or which have fallen into disuse in that country.

**1. Introduction: terminology, definition and scope**

The term "geographical indication" came into use in WIPO negotiations in the mid-1970s and effectively entered into common usage with the conclusion of TRIPS. Although the protection of product names associated with places was long



embodied in various legal doctrines, use of the term “geographical indication” in TRIPS was intended to help bring coherence to an unsettled area.

TRIPS defines “geographical indications” in Article 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 geographic origin.” There are a number of important elements in this legal formulation. The “indication” is not expressly limited to the name of a place, so that a product name known to be associated with a place may qualify for protection. While a good’s association with a place may be based on a “given quality”, which would be understood as some objectively identifiable characteristic, this is not a requirement for protection. The place identifier may instead have a reputational or goodwill association with consumers. This criterion for protection would not be an objectively measurable characteristic of the good, but instead a determination regarding consumer association of a good with a place.

The geographical indication is distinguished from most other forms of IPR represented in TRIPS by its shared character. A geographical indication is not the property of a single right holder, but is rather an identifier that is used by producers in a place. This characteristic – that is, the absence of a particular owner – distinguishes the geographical indication from the trademark.<sup>328</sup>

Although TRIPS obligates WTO Members to protect rights in geographical indications, it leaves substantial discretion to each Member to determine the manner in which such protection will be afforded.

## 2. History of the provision

### 2.1 Situation pre-TRIPS

Identifiers of the geographical origin of goods have long been protected against commercial misuse.<sup>329</sup> The common law doctrine of passing off, based on protection against the tort of unfair competition, was used to protect merchants against deceptive geographic claims.<sup>330</sup> In U.S. and U.K. law, for example, geographic origin was protected by collective marks and certification marks.<sup>331</sup> In civil law jurisdictions, the appellation of origin was used to protect against false claims of geographic origin. Moreover, laws regulating international trade typically required importers to identify the geographic origin of goods to allow for the appropriate application of customs duties, quota regulations and so forth.

<sup>328</sup> Collective trademarks involve shared ownership, but typically in respect to a defined group of owners. A geographical indication is typically available to all producers within a region, although the group of producers in a region entitled to use the indication may be restricted by various forms of regulation.

<sup>329</sup> See Document Sct/6/3 Rev. *On Geographical Indications: Historical Background, Nature Of Rights, Existing Systems for Protection and Obtaining Protection in Other Countries*, Prepared by the Secretariat, WIPO Standing Committee On The Law Of Trademarks, Industrial Designs And Geographical Indications, SCT/8/4, April 2, 2002.

<sup>330</sup> On the common law doctrine of passing off, see W.R. Cornish, *Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights* (4<sup>th</sup> ed. 1999), at Chapter 16.

<sup>331</sup> In the U.K., for example, Stilton cheese and Harris Tweed are protected by certification trade marks. The Harris Tweed mark was first registered in 1909, and is now owned by the Harris Tweed Authority, which was established by a 1993 Act of Parliament.

## 2. History of the provision

271

### 2.1.1 Multilateral rules

**2.1.1.1 The Paris Convention.** The basic principle of protection against unfair competition is set out in Article 10*bis* of the Paris Convention, which is both generally incorporated in TRIPS at Article 2 (see Chapter 3), and specifically incorporated as a foundation for protection of geographical indications at Article 22.2(b). Article 10*bis* of the Paris Convention states:

“Unfair Competition

- (1) The countries of the Union are bound to assure to nationals of such countries effective protection against unfair competition.
- (2) Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.
- (3) The following in particular shall be prohibited:
  1. all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor;
  2. false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor;
  3. indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods.”

In addition, the Paris Convention, at Article 10(1), includes provision (cross-referenced to Article 9), obligating state parties to provide for the seizure of imports “in cases of direct or indirect use of a false indication of the source of the good or the identity of the producer, manufacturer, or merchant”. Article 10(2) provides that a right to prevent such imports should be accorded to “Any producer, manufacturer, or merchant, whether a natural person or a legal entity, engaged in the production or manufacture of or trade in such goods and established either in the locality falsely indicated as the source, or in the region where such locality is situated, or in the country falsely indicated, or in the country where the false indication of source is used”.

**2.1.1.2 The Madrid Agreement.** The Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods of April 14, 1891, incorporated a limited extension to Article 10 of the Paris Convention, addressing not only “false” indications of source, but also “deceptive” indications, providing at Article 1(1):

“All goods bearing a false or deceptive indication by which one of the countries to which this Agreement applies, or a place situated therein, is directly or indirectly indicated as being the country or place of origin shall be seized on importation into any of the said countries.”

The additional reference to deceptive indications was viewed by its proponents as a way to address the practice of accompanying a geographic name

with a form of qualifier or disclaimer (e.g., California Burgundy or California Chablis), when such combination-indication might nonetheless cause consumer confusion.

Adherence to the Madrid Agreement was and remains limited.<sup>332</sup>

**2.1.1.3 The GATT 1947.** Article IX of the GATT 1947 addressed marks of origin,<sup>333</sup> *inter alia*, at Article IX:1 requiring MFN treatment for such marks. The concept of the geographical indication is previewed at Article IX:6, providing:

“The contracting parties shall co-operate with each other with a view to preventing the use of trade names in such manner as to misrepresent the true origin of a product, to the detriment of such distinctive regional or geographical names of products of the territory of a contracting party as are protected by its legislation. Each contracting party shall accord full and sympathetic consideration to such requests or representations as may be made by any other contracting party regarding the application of the undertaking set forth in the preceding sentence to names of products which have been communicated to it by the other contracting party.”

Article IX:6, GATT 1947, was not framed in terms of strict obligation, but rather in terms of cooperation with a view to prevent misrepresentation. Also, the duty to cooperate is based on protection of a distinctive regional or geographic name by legislation in the country requesting cooperation, and further based on notification of the applicable names.

Article IX:6, GATT 1947, was subject to interpretation by a panel in the *Japan – Alcoholic Beverages* case.<sup>334</sup> The panel in that case found that Japan’s requirement

<sup>332</sup> For a list of the Contracting Parties, see <<http://www.wipo.int/treaties/en/documents/pdf/f-mdrd-o.pdf>>.

<sup>333</sup> Article IX, GATT 1947:

“Marks of Origin

1. Each contracting party shall accord to the products of the territories of other contracting parties treatment with regard to marking requirements no less favourable than the treatment accorded to like products of any third country.
2. The contracting parties recognize that, in adopting and enforcing laws and regulations relating to marks of origin, the difficulties and inconveniences which such measures may cause to the commerce and industry of exporting countries should be reduced to a minimum, due regard being had to the necessity of protecting consumers against fraudulent or misleading indications.
3. Whenever it is administratively practicable to do so, contracting parties should permit required marks of origin to be affixed at the time of importation.
4. The laws and regulations of contracting parties relating to the marking of imported products shall be such as to permit compliance without seriously damaging the products, or materially reducing their value, or unreasonably increasing their cost.
5. As a general rule, no special duty or penalty should be imposed by any contracting party for failure to comply with marking requirements prior to importation unless corrective marking is unreasonably delayed or deceptive marks have been affixed or the required marking has been intentionally omitted.
6. [see text above].”

<sup>334</sup> *Japan – Customs Duties, Taxes and Labelling Practices on Imported Wines and Alcoholic Beverages*, Report of the Panel adopted on 10 November 1987, (L/6216 – 34S/83).

## 2. History of the provision

273

of the disclosure of the actual origin of goods on product labels effectively dispelled potential consumer confusion as to the origin of the products, if such confusion might have been present.<sup>335</sup>

**2.1.1.4 The Lisbon Agreement.** “Appellations of Origin” were addressed in the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration (adopted in 1958). This agreement extends substantially greater protection for geographical names than prior agreements, but depends on

<sup>335</sup> Relevant excerpts from the panel report, *id.*, state:

“The Panel noted from the drafting history relating to Article IX:6 that it had been agreed that the text of Article IX:6

‘should not have the effect of prejudicing the present situation as regards certain distinctive names of products, provided always that the names affixed to the products cannot misrepresent their true origin. This is particularly the case when the name of the producing country is clearly indicated. It will rest with the governments concerned to proceed to a joint examination of particular cases which might arise if disputes occur as a result of the use of distinctive names of products which may have lost their original significance through constant use permitted by law in the country where they are used’. (Reports of Committees and Principal Sub-Committees, UN Conference on Trade and Employment, 1948, p. 79).

The Panel noted that the Japanese Law and Cabinet Order concerning Liquor Business Association and Measures for Securing Revenue of Liquor Tax stipulated that ‘Any manufacturer of liquors must indicate, at a legible location of the container of liquors... which are shipped out from the manufacturing premise... , the name of the manufacturer, the place of the manufacturing premise... , the capacity of the container... , the category of liquors... , the grade of liquors and the following matters according to the category of liquors, in a conspicuous manner’, including the alcohol content in the case of wine, whisky, brandy, spirits and liqueurs. The Panel examined a large number of labels, photos, wine bottles and packages submitted by the EEC as evidence. The Panel found that this evidence seemed to confirm the Japanese submission to the Panel that the labels on liquor bottles manufactured in Japan indicated their Japanese origin.

5.15 The Panel examined the view of the European Community that the use of French words, French names, of other European languages and European label styles or symbols by Japanese manufacturers continued to mislead Japanese consumers as to the origin of the liquors, and that the indication of a Japanese manufacturer did not clarify his precise activities because, for instance, wines bottled in Japan could contain as much as 95 per cent imported bulk wine. The Panel inferred from the wording of Article IX:6 that it was confined to an obligation to ‘cooperate with each other with a view to preventing the use of trade names in such manner as to misrepresent the true origin of a product, to the detriment of such distinctive regional or geographical names of products of the territory of a contracting party as are protected by its legislation’. The Panel noted that there was no definition of a ‘trade name’ in the General Agreement, and that there were differences in the laws of various countries as to what might constitute a trade name. The Panel did not consider it necessary to define the term ‘trade name’ in this case for the following reasons: Article IX:6 was designed to protect ‘distinctive regional or geographical names of products of the territory of a contracting party as are protected by its legislation’. The Panel did not dispose of evidence and was unable to find that the use by Japanese manufacturers of labels written partly in English (in the case of whisky and brandy) or in French (in the case of wine), the use of the names of varieties of grapes (such as ‘Riesling’ or ‘Semillon), or the use of foreign terms to describe Japanese spirits (‘whisky’, ‘brandy’) or Japanese wines (‘chateau’, ‘reserve’, ‘vin rose’) had actually been to the detriment of ‘distinctive regional or geographical names of products’ produced and legally protected in the EEC. Nor could the Panel find that Japan – given, for example, its participation in the Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods and its internal laws and regulations on labelling and on the protection of distinctive regional or geographical names (such as ‘Armagnac’ or ‘Chianti’) – had failed to meet its obligation to cooperate pursuant to GATT Article IX:6.”

an initial grant of registration for an appellation in the country of origin,<sup>336</sup> as well as registration at WIPO which may be rejected by each country where protection is intended.<sup>337</sup> Article 2(1), setting out the subject matter, provides:

“In this Agreement, ‘appellation of origin’ means the geographical name of a country, region, or locality, which serves to designate a product originating therein, the quality and characteristics of which are due exclusively or essentially to the geographical environment, including natural and human factors.”

The scope of protection extends beyond the literally registered geographical name. Article 3 provides:

“Protection shall be ensured against any usurpation or imitation, even if the true origin of the product is indicated or if the appellation is used in translated form or accompanied by terms such as ‘kind,’ ‘type,’ ‘make,’ ‘imitation,’ or the like.”

Protection is included against a registered appellation becoming “generic” (Article 6). Adherence to the Lisbon Agreement was and remains quite limited.<sup>338</sup>

**2.1.1.5 WIPO initiatives.** In 1974 and 1975, WIPO pursued preparation of a new multilateral treaty on the protection of geographical indications. Once it became apparent that efforts would be undertaken to revise the Paris Convention, and that such revision would consider further elaboration of provisions relevant to geographical indications, work on preparation of the new multilateral treaty was ended.<sup>339</sup>

As part of negotiations on revisions to the Paris Convention in the 1980s and early 1990s, WIPO member states considered adopting an additional Article *10quater* addressing geographical indications.<sup>340</sup> The substance of these discussions was summarized by the WIPO International Bureau in a report prepared for the Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications (SCT/8/4) and the relevant portions of the report are set out in Annex 1 to this chapter.

### 2.1.2 National and regional rules

As noted in the just-referenced report by the WIPO International Bureau,<sup>341</sup> the approaches taken to the protection of geographical indications have been varied, and have basically fallen into four legal categories: (1) unfair competition and passing off, (2) collective and certification marks, (3) protected appellations of origin and registered geographical indications, and (4) administrative schemes for protection.

<sup>336</sup> Article 1(2), Lisbon Agreement.

<sup>337</sup> Article 5(3), *id.*

<sup>338</sup> For a list of the Contracting Parties, see <<http://www.wipo.int/treaties/en/documents/pdf/j-lisbon.pdf>>.

<sup>339</sup> WIPO Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications, SCT/8/4, April 2, 2002, at paras. 66–71.

<sup>340</sup> One of the reasons for this was the fact that the Paris Convention in Article 10(1) protected only against false geographical indications, but not against deceptive ones.

<sup>341</sup> SCT/8/4, April 2, 2002.

## 2. History of the provision

275

**2.1.2.1 Unfair competition and passing off.** The treatment of geographical indications under the common law principles of unfair competition and passing off is based on the injury that is suffered by a business through a false representation by a competitor that its product comes from the same source. One aspect of the unfairness involves taking advantage of the reputation of the injured party (which has been built up through its labours). A second aspect of the unfairness involves the harm that may come to the indication-holder if the goods placed on the market are of inferior quality, thus causing damage to its reputation. A third aspect of the unfairness goes to the injury to the public being deceived into purchasing goods other than those for which it bargained.

In order to make out a claim of unfair competition or passing off with respect to the geographic origin of goods, the claimant typically would need to demonstrate that the public had formed a sufficient identification or association between the subject goods and the territorial name, and that the public was misled by the complained-against party's use of the name. Protection of geographical indications using an unfair competition or passing off theory was exemplified in a line of "Champagne" cases in which common law courts provided protection for the name of the French wine producing region.<sup>342</sup>

Protection of trademarks is grounded in unfair competition law, though it has evolved in many regions to rely in substantial part on a registration system. The geographical indication is not protected by trademark as such because the trademark is used to identify the goods of an undertaking or enterprise, and is not generally associated with a collective or community (except, of course, in the case of collective marks, discussed below). In addition, a trademark is not limited by territory. It is limited by identification to an undertaking or enterprise. Trademarks have become increasingly assignable in the nature of property. Because geographical indications are based on a link to territory, they are non-assignable (in the sense of being attributed to persons outside the geographic territory).

**2.1.2.2 Collective and certification marks.** Some countries used the collective mark and/or certification mark to overcome the obstacles inherent in according trademark protection to geographical names. A collective mark would belong to an association or group whose members are entitled to use that mark, and

<sup>342</sup> See, e.g., *Wineworths Group Ltd. v. Comite Interprofessionel du Vin de Champagne*, 2 NZLR 327 [1991] ("*Wineworths v. CIVC*"), decided by the New Zealand Court of Appeal. Judge J. Gault stated:

"Champagne is a geographical name. When used in relation to wine the primary significance it would convey to persons who know that would be as the geographical origin of the product. If the name conveys something of the characteristics of the wine it is because those familiar with wine sold by reference to the name associate those characteristics with it. . . . For suppliers the attracting force in the name constitutes a part of the goodwill of their business. That will be so whether the name is associated solely with one supplier or with a class of suppliers who stand in the same position to the name. The goodwill may be enjoyed among the whole population or among a particular market segment.

That goodwill will be damaged if someone else uses the name in relation to a product in such a manner as to deceive purchasers into believing the product has the characteristics of products normally associated with the name when it does not. The damage may give rise to a claim for 'passing off' although deceptive trading would be a more accurate designation." (2 NZLR 327, 336)

could (depending on the jurisdiction) incorporate a geographical name. A certification mark would belong to a certifying person or body which, by affixing or allowing the affixing of the mark, would provide assurance with a set of rules or qualifications.<sup>343</sup>

There were and remain substantial differences in the way that collective and certification marks are regulated by national law. The Paris Convention provides:

“Article 7bis

Marks: Collective Marks

(1) The countries of the Union undertake to accept for filing and to protect collective marks belonging to associations the existence of which is not contrary to the law of the country of origin, even if such associations do not possess an industrial or commercial establishment.

(2) Each country shall be the judge of the particular conditions under which a collective mark shall be protected and may refuse protection if the mark is contrary to the public interest.

(3) Nevertheless, the protection of these marks shall not be refused to any association the existence of which is not contrary to the law of the country of origin, on the ground that such association is not established in the country where protection is sought or is not constituted according to the law of the latter country.”

Article 7bis(2) provides considerable latitude regarding the protection that a country might accord to a collective mark incorporating a geographic name. In theory such protection could be denied on grounds that geographical names are “generic” in a trademark law sense.

**2.1.2.3 Appellations of origin and geographical indications.** Another approach to geographical indications is protection through the “appellation of origin”, which form of protection is typically defined by national statute. The appellation of origin is distinguished from the later-developed concept of the geographical indication in that the former requires a specific link between the territory and some quality or characteristic of the good, including by the contribution of human labour. The concept of the geographical indication, as later developed, dispenses with the requirement of a link to a quality or characteristic of the good, and allows the reputation of the good to serve as the basis for the link to the territory. From the standpoint of the producer, the requirement of affirmatively demonstrating a differentiating quality or characteristic of a good linked in some way to a territory could be problematic.<sup>344</sup> The appellation of origin is typically based on a registration system.

<sup>343</sup> In the United States, collective and certification marks are defined in the Trademark (Lanham) Act, 15 USC §1127. The Trademark Manual of Examining Procedure (TMEP) refers to the following judicial decisions regarding the protection of names of geographic regions as certification marks: “*Community of Roquefort v. William Faehndrich, Inc.*, 303 F.2d 494, 133 USPQ 633 (2d Cir. 1962); *State of Florida, Department of Citrus v. Real Juices, Inc.*, 330 F. Supp. 428, 171 USPQ 66 (M.D. Fla. 1971) (SUNSHINE TREE for citrus from Florida); *Bureau National Interprofessionnel Du Cognac v. International Better Drinks Corp.*, 6 USPQ2d 1610 (TTAB 1988) (COGNAC for distilled brandy from a region in France)” (TMEP §1306.01).

<sup>344</sup> Can wine tasters, for example, be counted on to consistently distinguish the products of different regions in blind taste tests?

## 2. History of the provision

277

The Council of the European Communities adopted Regulation (EEC) No. 2081/92 of 14 July 1992 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs.<sup>345</sup> This Regulation provides a common system for the registration and protection of geographical indications in the field of agriculture, but not including wines and spirit drinks.<sup>346</sup> It calls for the Commission to maintain a “register of protected designations of origin and protected geographical indications”,<sup>347</sup> and incorporates provisions relating to Commission review of applications,<sup>348</sup> publication<sup>349</sup> and opportunity for objection to the registration of a geographical indication.<sup>350</sup> The Regulation also provides for a list of specifications that protected geographical indications (PGIs) are expected to comply with, and for member states to establish inspection structures to ensure that the specifications are met.<sup>351</sup>

The protection to be afforded is set out in Article 13, which provides, *inter alia*:

“Article 13

1. Registered names shall be protected against:

(a) any direct or indirect commercial use of a name registered in respect of products not covered by the registration in so far as those products are comparable to the products registered under that name or insofar as using the name exploits the reputation of the protected name;

(b) any misuse, imitation or evocation, even if the true origin of the product 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) any other false or misleading indication as to the provenance, origin, nature or essential qualities of the product, on the inner or outer packaging, advertising material or documents relating to the product concerned, and the packing of the product in a container liable to convey a false impression as to its origin;

(d) any other practice liable to mislead the public as to the true origin of the product. Where a registered name contains within it the name of an agricultural product or foodstuff which is considered generic, the use of that generic name on the appropriate agricultural product or foodstuff shall not be considered to be contrary to (a) or (b) in the first subparagraph.

2. By way of derogation from paragraph 1 (a) and (b), Member States may maintain national systems that permit the use of names registered under Article 17 for a period of not more than five years after the date of publication of registration, provided that:

- the products have been marketed legally using such names for at least five years before the date of publication of this Regulation,
- the undertakings have legally marketed the products concerned using those names continuously during the period referred to in the first indent,

<sup>345</sup> OJ L 208, 24.7.1992, p.1. On this regulation, see also below, Section 4 of this chapter.

<sup>346</sup> *Id.*, Article 1.

<sup>347</sup> *Id.*, Article 6(3).

<sup>348</sup> *Id.*, Article 6(1).

<sup>349</sup> *Id.*, Article 6(2).

<sup>350</sup> *Id.*, Article 7.

<sup>351</sup> *Id.*, Article 10.



- the labelling clearly indicates the true origin of the product.

However, this derogation may not lead to the marketing of products freely within the territory of a Member State where such names were prohibited.

3. Protected names may not become generic.

[...]

Article 14 provides protection against the registration of trademarks corresponding to protected geographical indications.

Article 12 of the 1992 Regulation includes a provision regarding protection of geographical indications for foreign products. It provides:

“Article 12

1. Without prejudice to international agreements, this Regulation may apply to an agricultural product or foodstuff from a third country provided that:

- the third country is able to give guarantees identical or equivalent to those referred to in Article 4,
- the third country concerned has inspection arrangements equivalent to those laid down in Article 10,
- the third country concerned is prepared to provide protection equivalent to that available in the Community to corresponding agricultural products for foodstuffs coming from the Community.

2. If a protected name of a third country is identical to a Community protected name, registration shall be granted with due regard for local and traditional usage and the practical risks of confusion.

Use of such names shall be authorized only if the country of origin of the product is clearly and visibly indicated on the label.”

The requirement in Article 12(1) that “the third country concerned is prepared to provide protection equivalent to that available in the Community to corresponding agricultural products for foodstuffs coming from the Community” arguably constitutes a material reciprocity requirement and has been at the source of a dispute initiated against the EC by Australia and the USA as allegedly infringing the TRIPS obligations of national treatment and most-favoured nation treatment.<sup>352</sup>

In addition to the Regulation on agricultural products and foodstuffs, the EC has also passed specific legislation governing GIs for wines and spirits. The EC’s regulation of the names of wines and spirits dates back at least as early as Council Regulation (EEC) No 817/70 of 28 April 1970 laying down special provisions relating to quality wines produced in specified regions. This was repealed and replaced by Council Regulation (EEC) No 338/79 of 5 February 1979 laying down special provisions relating to quality wines produced in specified regions.<sup>353</sup> The 1979 regulatory system was extremely complicated, relying on authorities of the member states to lay out the conditions for qualifying as a quality wine produced in a

<sup>352</sup> See Chapter 4. The same dispute also refers to alleged violations of some of the TRIPS provisions on GIs; see below, Section 4.

<sup>353</sup> OJ L 054, 05/03/1979 p. 0048-0056.

## 2. History of the provision

279

specified region, and indicating that the right to a designation was to be based on a number of factors of production, including cultivation and wine-making methods, and analysis of growing conditions.<sup>354</sup> Wines were to be subject to analytic testing to justify their listing on registers maintained by the member states. The 1979 regulation was replaced by Council Regulation (EEC) No 823/87 of 16 March 1987 laying down special provisions relating to quality wines produced in specified regions.<sup>355</sup> The 1987 Regulation was based on the same basic principles as the 1979 Regulation, and relied on member states to maintain lists of wines meeting established criteria, and to perform analytic testing. This system of regulation, as will be discussed in Section 6.3.1 of this Chapter, was revised following the entry into force of TRIPS. It remains complex.<sup>356</sup>

**2.1.2.4 Administrative schemes.** The WIPO International Bureau report for the SCT (see below, Annex 1) also refers to administrative schemes for protection which would include national regulations that govern labelling and other administrative aspects of wine production and marketing. These schemes may include the application of penalties for false or misleading labelling of products, including with respect to the geographical origin of the goods.

It is apparent that the concept of the “geographical indication” was unsettled in the period prior to and during the TRIPS Agreement negotiations. The highest level of attention to the subject was paid by the European Community, in particular as a feature of the common agricultural policy.

## 2.2 Negotiating history

Whereas at the outset of the TRIPS negotiations the United States proposals contained no mention of geographical indications,<sup>357</sup> the initial substantive submission by the European Community of July 1988 included a detailed provision on the protection of geographical indications in which can already be seen the outlines of the TRIPS Agreement rules.<sup>358</sup>

### 2.2.1 The EC proposal

“3. f. Geographical indications including appellations of origin

(i) Geographical indications are, for the purpose of this agreement, those which designate a product as originating from a country, region or locality where a given quality, reputation or other characteristic of the product is attributable to its geographical origin, including natural and human factors.

<sup>354</sup> *Id.*, Article 2.

<sup>355</sup> OJ L 084, 27/03/1987 p. 0059-0068.

<sup>356</sup> See, e.g., Council Regulation (EC) No 1493/1999 of 17 May 1999 on the common organization of the market in wine.

<sup>357</sup> Suggestion by the United States for Achieving the Negotiating Objective, MTN.GNG/NG11/W/14 (October 1987), and Revision, 17 October 1988, MTN.GNG/NG11/W/14/Rev. 1.

<sup>358</sup> Guidelines and Objectives Proposed by the European Community for the Negotiations on Trade Related Aspects of Substantive Standards of Intellectual Property Rights, MTN.GNG/NG11/W/26.

(ii) Geographical indications shall be protected against any use which constitutes an act of unfair competition, including use which is susceptible to mislead the public as to the true origin of the product. Shall notably be considered to constitute such use:

- any direct or indirect use in trade in respect of products not coming from the place indicated or evoked by the geographical indication in question;
- any usurpation, imitation or evocation, even where the true origin of the product is indicated or the appellation or designation is used in translation or accompanied by expressions such as 'kind', 'type', 'style', 'imitation' or the like;
- the use of any means in the designation or presentation of the product likely to suggest a link between the product and any geographical area other than the true place of origin.

(iii) Where appropriate, protection should be accorded to appellations of origin, in particular for products of the vine, to the extent that it is accorded in the country of origin.

(iv) Appropriate measures shall be taken under national law for interested parties to prevent a geographical indication from developing into a designation of generic character as a result of the use in trade for products from a different origin, it being understood that appellations of origin for products of the vine shall not be susceptible to develop into generic designations.

The registration of a trademark which contains or consists of a geographical or other indication denominating or suggesting a country, region or locality with respect to goods not having this origin shall be refused or invalidated. National laws shall provide the possibility for interested parties to oppose the use of such a trademark.

(v) In order to facilitate the protection of geographical indications including appellations of origin, the establishment of an international register for protected indications should be provided for. In appropriate cases the use of documents certifying the right to use the relevant geographical indication should be provided for.”

### 2.2.2 The Swiss proposal

The Swiss proposal of July 1989 also contained a fairly well elaborated provision regarding geographical indications.<sup>359</sup> Note that the Swiss text contemplates that services will be included among the scope of subject matter coverage:

#### “III. GEOGRAPHICAL INDICATIONS –

##### Definition of Geographical Indications

14. A geographical indication is any designation, expression or sign which aims at indicating that a product is originating from a country, a region or a locality.

The norms on geographical indications also relate to services.

<sup>359</sup> Standards and Principles Concerning the Availability, Scope and Use of Trade-Related Intellectual Property Rights, Communication from Switzerland, MTN.GNG/NG11/W/38, 11 July 1989.

## 2. History of the provision

281

### Use of Geographical Indications

15. Geographical indications shall be protected against use which is likely to mislead the public as to the true origin of the products. Shall notably be considered to constitute such use:

- any direct or indirect use in trade in respect of products not originating from the place indicated or evoked in the geographical indication in question;
- any evocation, even where the true origin of the product is indicated or the designation is used in translation or accompanied by expressions such as ‘kind’, ‘type’, ‘style’ or ‘imitation’;
- the use of any means in the designation or presentation of the product likely to suggest a link between the product and any geographical area other than the true place of origin.

Appropriate measures shall be taken so as to prevent a geographical indication from developing into a designation of a generic character as a result of the use in trade for products of a different origin.

The registration of a trademark which contains or consists of a geographical or other indication designating or suggesting a country, region or locality with respect to products not having this origin shall be refused or invalidated, if the use of such indication is likely to mislead the public as to the true geographical origin of the product.”

### **2.2.3 The US proposal**

Even as of its fully articulated May 1990 proposal to the TNG,<sup>360</sup> the United States appeared sceptical of extending the scope of protection afforded to geographical indications:

#### “C. Geographical Indications Including Appellations of Origin

##### Article 18

Contracting parties shall protect geographic indications that certify regional origin by providing for their registration as certification or collective marks.

##### Article 19

Contracting parties shall provide protection for non-generic appellations of origin for wine by prohibiting their use when such use would mislead the public as to the true geographic origin of the wine. To aid in providing this protection, contracting parties are encouraged to submit to other contracting parties evidence to show that each such appellation of origin is a country, state, province, territory, or similar political subdivision of a country equivalent to a state or county; or a viticultural area.”

### **2.2.4 The proposal by a group of developing countries**

While India’s submission of July 1989 did not discuss geographical indications,<sup>361</sup> the proposal from the group of Argentina, Brazil, Chile, China, Colombia, Cuba,

<sup>360</sup> Draft Agreement on the Trade-Related Aspects of Intellectual Property Rights, Communication from the United States, MTN.GNG/NG11/W/70, 11 May 1990.

<sup>361</sup> Standards and Principles Concerning the Availability, Scope and Use of Trade-Related Intellectual Property Rights, Communication from India, MTN.GNG/NG11/W/37, 10 July 1989.

Egypt, India, Nigeria, Peru, Tanzania and Uruguay of May 1990<sup>362</sup> largely relied on unfair competition principles to address the protection of geographical indications, providing:

“Chapter III

#### GEOGRAPHICAL INDICATIONS

Article 9: Protection of Geographical Indications Including Appellations of Origin\* Parties undertake to provide protection for geographical indications including appellations of origin against any use which is likely to confuse or mislead the public as to the true origin of the product.

[Footnote]\* Geographical indications are any designation, expression or sign which aims at indicating that a product originates from a country, region or locality.”

#### 2.2.5 The Anell Draft

The Anell Draft of July 1990 (“A” developed and “B” developing country proposals) included detailed treatment of geographical indications, providing:<sup>363</sup>

#### “SECTION 3: GEOGRAPHICAL INDICATIONS

##### 1. Definition

1.1 Geographical indications are any designation, expression or sign which [aims at indicating] [directly or indirectly indicates] that a product [or service] originates from a country, region or locality.

1.2 [Geographical indications] [Appellations of origin] are for the purpose of this agreement [geographical] indications which designate a product as originating from the territory of a PARTY, a region or locality in that territory where a given quality, reputation or other characteristic of the products is attributable [exclusively or essentially] to its geographical origin, including natural [and] [or] human factors. [A denomination which has acquired a geographical character in relation to a product which has such qualities, reputation or characteristics is also deemed to be an appellation of origin.]

1.3 PARTIES agree that the provisions at point 2b.1 and 2b.2 below shall also apply to a geographical indication which, although literally true as to the territory, region or locality in which the goods originate, falsely represents to the public that the goods originate in the territory of another PARTY.

##### 2. Protection

2a PARTIES shall provide protection for geographical indications by complying with the provisions under the Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods of 1891, as last revised in 1967.

2b.1 PARTIES shall protect [, at the request of an interested party,] geographical [or other] indications [denominating or suggesting the territory of a PARTY, a region or a locality in that territory] against use with respect to products not originating in that territory if that use [constitutes an act of unfair competition

<sup>362</sup> Communication from Argentina, Brazil, Chile, China, Colombia, Cuba, Egypt, India, Nigeria, Peru, Tanzania and Uruguay, MTN.GNG/NG11/W/71, 14 May 1990.

<sup>363</sup> See MTN.GNG/NG11/W/76 of 23 July 1990.

## 2. History of the provision

in the sense of Article 10*bis* of the Paris Convention (1967), including use which] [might mislead] [misleads] the public as to the true origin of the product.

[Such protection shall notably be afforded against:

- any direct or indirect use in trade in respect of products not originating from the place indicated or evoked by the geographical indication in question;
- any usurpation, imitation or evocation, even where the true origin of the product is indicated or the appellation or designation is used in translation or accompanied by expressions such as ‘kind’, ‘type’, ‘style’, ‘imitation’ or the like;
- the use of any means in the designation or presentation of products likely to suggest a link between those products and any geographical area other than the true place of origin.]

2b.2 PARTIES shall [, at the request of an interested party,] refuse or invalidate the registration of a trademark which contains or consists of:

[an indication denominating or suggesting a geographical indication,]

[a geographical or other indication denominating or suggesting the territory of a PARTY, or a region or locality in that territory,]

with respect to products not originating in the territory indicated [, if use of such indication [for such products] is of such a nature as to mislead or confuse the public [as to the true place of origin]]. [National laws shall provide the possibility for interested parties to oppose the use of such a trademark.]

2b.3 Appropriate measures shall be provided by PARTIES to enable interested parties to impede a geographical indication [, generally known in the territory of the PARTY to consumers of given products or of similar products as designating the origin of such products manufactured or produced in the territory of another PARTY,] from developing, as a result of its use in trade for [identical or similar] products of a different origin, into a designation of generic character [for these products or for similar products] [, it being understood that appellations of origin for products of the vine shall not be susceptible to develop into generic designations].

2c.1 PARTIES shall protect geographical indications that certify regional origin by providing for their registration as certification or collective marks.

2c.2 PARTIES shall provide protection for non-generic appellations of origin for wine by prohibiting their use when such use would mislead the public as to the true geographic origin of the wine. To aid in providing this protection, PARTIES are encouraged to submit to other PARTIES evidence to show that each such appellation of origin is a country, state, province, territory, or similar political subdivision of a country equivalent to a state or country; or a viticultural area.

2d PARTIES undertake to provide protection for geographical indications including appellations of origin against any use which is likely to confuse or mislead the public as to the true origin of the product.

## 3. International Register

PARTIES agree to cooperate with a view to establishing an international register for protected geographical indications, in order to facilitate the protection of geographical indications including appellations of origin. In appropriate cases the use of documents certifying the right to use the relevant geographical indication should be provided for.

#### 4. Exceptions

4.1 No PARTY shall be required to apply the provisions for the protection of geographical indications:

(a) to the prejudice of holders of rights relating to an indication identical with or similar to a geographical indication or name and used or filed in good faith before the date of the entry into force of this agreement in the PARTY;

(b) with regard to goods for which the geographical indication or name is in the common language the common name of goods in the territory of that PARTY, or is identical with a term customary in common language.

4.2a PARTIES agree that the preceding paragraphs shall not prevent the conclusion pursuant to Article 19 of the Paris Convention (1967) of bilateral or multilateral agreements concerning the rights under those paragraphs, with a view to increasing the protection for specific geographical or other indications, and further agree that any advantage, favour, privilege or immunity deriving from such agreements are exempted from the obligations under point 7 of Part II of this agreement.

4.2b Given the country specific nature of [geographical indications] [appellations of origin], it is understood that in connection with any advantage, favour, privilege or immunity stemming from bilateral agreements on such [indications] [appellations] and exceeding the requirements of this agreement, the most-favoured nation treatment obligations under point 7 of Part II of this agreement shall be understood to require each PARTY belonging to such an agreement to be ready to extend such advantage, favour, privilege or immunity, on terms equivalent to those under the agreement, to any other PARTY so requesting and to enter into good faith negotiations to this end."

This draft revealed the delegations' disagreement over several issues. The draft definitions of geographical indication (see above, Section 1 "Definition") varied considerably. Whereas one proposal was very general, not even referring to the link between the characteristics of the product and its geographical origin (paragraph 1.1), an alternative draft definition came close to what is today Article 22.1 (paragraph 1.2). Both draft definitions used the term "product" instead of "good". This could be an indication of some delegations' intention to include services in the scope of protection. On the other hand, the draft definition in paragraph 1.1 referred to "product [or service]". In that context, the term "product" was considered to be limited to "good", whereas the ordinary meaning of "product" would arguably also cover services. The final version under Article 22.1 refers to "goods", thus excluding services (for details, see Section 3, below).

As far as the scope of protection was concerned, the Anell Draft contained a bracketed proposal (under paragraph 2b.1, above), according to which protection was to be afforded against

"any usurpation, imitation or evocation, even where the true origin of the product is indicated or the appellation or designation is used in translation or accompanied by expressions such as 'kind', 'type', 'style', 'imitation' or the like".

The language used in this proposal is almost identical to the terms of the current Article 23.1. It provides for protection even where the public is not misled as to the origin of the products. However, in one important aspect, this proposal went

## 2. History of the provision

285

beyond the scope of the current Article 23.1: it applied to *all* products and was not limited to wines and spirits. The proposal was not retained in the subsequent Brussels Draft (see below).

The Anell Draft under paragraph 2c.1 expressly refers to the U.S. system of protecting geographical indications as certification or collective marks. This reference was not retained in the Brussels Draft or in TRIPS. Instead, both obligate Members to provide the “legal means” for protection.

As far as the establishment of a multilateral register for geographical indications was concerned, the Anell Draft under Section 3 went beyond the scope of the current Article 23.4: it was not limited to wines, but referred to geographical indications in general. This approach was kept under the Brussels Draft (see below), but was limited to wines in the subsequent Dunkel Draft of December 1991.<sup>364</sup>

Concerning the provisions on exceptions from protection, the Anell Draft already contained some of the elements of the current version of Article 24, although it was much shorter than this latter provision. In particular, it referred to the exception of generic names (paragraph 4.1(b); now Article 24.6) and of the continuous prior use of an indication identical with or similar to a protected geographical indication (paragraph 4.1(a); now Article 24.4). As to continuous prior use, this draft provided a substantially wider exception than the current version of Article 24, applying to geographical indications for all kinds of products, whereas Article 24.4 applies only to geographical indications “identifying wines or spirits in connection with goods or services”. Second, it would be permissible to allow parties that had registered or used a geographical indication in good faith prior to entry into force of TRIPS in a Party to continue such use. In one respect, however, the Anell Draft provided for a stricter exception than the current Article 24.4: under Article 24.4, continuous use does not depend on a good faith requirement, if such use occurred for at least 10 years preceding 15 April 1994 (see Section 3 for details).

In addition to these two exceptions, the Anell Draft contained two opposing proposals concerning bilateral agreements for the increased protection of geographical indications (see paragraphs 4.2a and 4.2b, above; now Article 24.1). Whilst the delegations agreed on the general admissibility of such bilateral agreements, it was not clear whether the increased protection resulting from those would have to be extended to all the other Members of the WTO, according to the most-favoured nation (MFN) principle. One proposal (4.2a) advocated the exemption of bilateral TRIPS-plus protection from the MFN principle, the other (4.2b) proposed to subject these TRIPS-plus provisions to the MFN rule. Under the Brussels Draft and the final text of TRIPS, this express reference to MFN was dropped (see below).<sup>365</sup>

### 2.2.6 The Brussels Draft

The Chairman’s Note to the December 1990 Brussels Ministerial Text indicated, “In regard to Section 3 of Part II on Geographical Indications, it should be made

<sup>364</sup> See Article 23.4 of the Draft Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods. Included in the “Dunkel Draft” of December 1991 (part of document MTN.TNC/W/FA, dated 20 December 1991).

<sup>365</sup> For more details on the relationship between bilateral TRIPS-plus provisions on geographical indications and the MFN obligation, see below, Section 3 of this chapter (regarding Article 24.1 TRIPS).



clear that there are still considerable differences on Articles 25, 26 and 27". The text provided:<sup>366</sup>

"SECTION 3: GEOGRAPHICAL INDICATIONS

Article 24: Protection of Geographical Indications

1. Geographical indications are, for the purposes of this Agreement, indications which identify a good as originating in the territory of a PARTY, or a region or locality in that territory, where a given quality or other characteristic on which its reputation is based is essentially attributable to its geographical origin.

2. In respect of geographical indications, PARTIES shall provide in their domestic law the legal means for interested parties to prevent:

(a) the use of any means in the designation or presentation of a good that indicates or suggests that the good in question originates in a geographical area other than the true place of origin in a manner which misleads the public as to the geographical origin of the good;

(b) any use which constitutes an act of unfair competition within the meaning of Article 10*bis* of the Paris Convention (1967).

3. A PARTY shall, at the request of an interested party, refuse or invalidate the registration of a trademark which contains or consists of a geographical indication with respect to goods not originating in the territory indicated, if use of the indication in the trademark for such goods in that PARTY is of such a nature as to mislead the public as to the true place of origin.

4. The provisions of the preceding paragraphs of this Article shall apply to a geographical indication which, although literally true as to the territory, region or locality in which the goods originate, falsely represents to the public that the goods originate in another territory.

Article 25: Additional Protection for Geographical Indications for Wines

1. Each PARTY shall provide in its domestic law the legal means for interested parties to prevent use of a geographical indication identifying wines for wines not originating in the place indicated by the geographical indication in question, even where the true origin of the goods is indicated or the geographical indication is used in translation or accompanied by expressions such as 'kind', 'type', 'style', 'imitation' or the like.

2. The registration of a trademark for wines which contains or consists of a geographical indication identifying wines shall be refused or invalidated at the request of an interested party with respect to such wines not having this origin.

3. In the case of homonymous geographical indications for wine, protection shall be accorded to each indication, subject to the provisions of paragraph 4 of Article 24 above. Each PARTY shall determine the practical conditions under which the homonymous indications in question will be differentiated from each other, taking into account the need to ensure equitable treatment of the producers concerned and that consumers are not misled.

<sup>366</sup> See Draft Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, Revision, Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods, MTN.TNC/W/35/Rev. 1, 3 Dec. 1990.

## 2. History of the provision

287

### Article 26: Exceptions

1. Where a geographical indication of a PARTY has been used with regard to goods originating outside the territory of that PARTY in good faith and in a widespread and continuous manner by nationals or domiciliaries of another PARTY, including use as a trademark, before the date of application of these provisions in the other PARTY as defined in Article 68 below, nothing in this Agreement shall prevent such continued use of the geographical indication by those nationals or domiciliaries of the said other PARTY.

2. A PARTY shall not take action to refuse or invalidate registration of a trademark first applied for or registered:

(a) before the date of application of these provisions in that PARTY as defined in Article 68 below;

(b) before the geographical indication is protected in its country of origin; on the basis that the trademark is identical with, or similar to, a geographical indication.

3. No PARTY shall be required to apply the provisions of this Article in respect of a geographical indication of any other PARTY with respect to goods for which the relevant indication is identical with the term customary in common language as the common name for such goods or of the process for their production in the territory of that PARTY, or where the goods are products of the vine, is the name of a grape variety.”

4. There shall be no obligation under this Agreement to protect geographical indications which are not or cease to be protected in their country of origin, or which have fallen into disuse in that country.

5. On the request of a PARTY, each PARTY shall be willing to enter into good faith negotiations aimed at [sic] The provisions of the preceding paragraphs shall not prevent PARTIES from concluding bilateral and multilateral agreements concerning the protection under this Section, with a view to increasing the protection for specific geographical indications.

### Article 27: Notification of Geographical Indications

In order to facilitate the protection of geographical indications, the Committee shall examine the establishment of [sic] establish a multilateral system of notification and registration of geographical indications eligible for protection in the PARTIES participating in the system.”

Like the final text of TRIPS, this draft made a clear distinction between a basic protection for all goods (Article 24) and an additional protection for wines (Article 25). The additional protection for spirits was only added in the subsequent Dunkel Draft of December 1991.

**2.2.6.1 Draft Article 24.** As far as the Brussels Draft Article 24 is concerned, there were two differences with respect to the current Article 22: first, Article 22.1 stipulates that one of the grounds for protection of the indication is the reputation of a good, which is attributable to its geographical origin (“... where a given quality, reputation, or other characteristic of the good is essentially attributable to its geographical origin”). In the Brussels Draft, the link between the reputation on the one hand and the geographical origin on the other hand was more indirect, the relevant part of the provision reading: “... where a given quality or

other characteristic *on which its reputation is based* is essentially attributable to its geographical origin.” (emphasis added). In other words, it was not the reputation itself which was directly based on the geographical origin, but the goods’ quality or characteristics, which in turn created the reputation. The final version considers the reputation itself to constitute a characteristic of the good. This was probably clarified in order to highlight the difference with respect to the Lisbon Agreement, which does not protect the pure reputation of a good.

The second difference between the Brussels Draft and the final TRIPS text concerns the provision dealing with the refusal or invalidation of trademarks containing or consisting of geographical indications (Article 24.3 of the Brussels Draft; Article 22.3 of TRIPS). While the Brussels Draft authorized such action only at the request of an interested party, Article 22.3 also permits Members to provide for *ex officio* refusals or invalidations. This option was introduced with the 1991 Dunkel Draft (Article 22.3).

**2.2.6.2 Draft Article 25.** The Brussels Draft in Article 25.1 provided for an additional protection of geographical indications for wines (as the current Article 23.1). Like Article 23.2 TRIPS, Article 25.2 of the Brussels Draft also obligated the Parties to invalidate any trademarks containing or consisting of a geographical indication where the wine did not have the indicated origin. The *main differences* were the following:

- a) The Brussels Draft did not refer to spirits, only to wines.
- b) In case the geographical indication used in a trademark indicates a place different from the true place of origin, the Brussels Draft (Article 25.2) only provided for a refusal of the trademark registration or its invalidation at the request of an interested party. In addition to that, Article 23.2 accords the right to Members to provide for these remedies *ex officio*.
- c) Under the draft provision, there was no fourth paragraph (as there is now under Article 23) calling for international negotiations on the establishment of a multilateral system for the notification and the registration of geographical indications for wines and spirits. However, both the Brussels Draft in Article 27 and the Anell Draft (see above) provided for a separate provision on this issue which covered not only geographical indications for wines, but all products. This was limited to wines through the Dunkel Draft of December 1991 (Article 23.4). Later on, the negotiations on the multilateral register were extended (see Section 6.4).

**2.2.6.3 Draft Article 26.** Compared to the Anell Draft, the Brussels Draft provision on exceptions (Article 26, above; now Article 24 TRIPS) contained two additional elements: Article 26 paragraphs 2 and 4 covered what is today Article 24 paragraphs 5 and 9.<sup>367</sup> Article 26.4 of the Brussels Draft already had the same wording as Article 24.9 TRIPS, and draft Article 26.2 was retained in almost identical form in Article 24.5 TRIPS.

<sup>367</sup> I.e. an exception in favour of trademarks applied for, registered in good faith or acquired through use in good faith before the obligation to protect a similar or identical geographical indication arises; and an exception to the protection of geographical indications that lack protection in their country of origin.

### 3. Possible interpretations

289

Article 26, paragraphs 1 & 2 of the Brussels Draft (continued and good faith use of protected indications by third parties) substantially altered the Anell Draft's approach by making the defence of good faith use (paragraph 1) or registration (paragraph 2) available for third parties that had acted prior to the entry into force of the respective Member's substantive obligations (per the then-Article 68 transition arrangements). The Brussels Draft, like the Anell Draft, made this exception entirely dependent on good faith. Under Article 24.4(a) TRIPS, there is provision for exception in circumstances not dependent on good faith (see Section 3).

Article 26.1 of the Brussels Draft, like the Anell Draft, referred to geographical indications in general and not only to those identifying wines and spirits, as does Article 24.4.

Finally, paragraphs 3 and 5 of the Brussels Draft Article 26 contained proposals essentially similar to the current paragraphs 6 and 1 of Article 24 (i.e. provisions on generic names and on bilateral or multilateral TRIPS-plus negotiations).

#### 2.2.7 The Dunkel Draft text of December 1991

Articles 22–24 of this draft were essentially the same as the final text of Articles 22–24 of TRIPS.<sup>368</sup> The only substantive difference was the more limited scope of the continued and similar use exception under Article 24.4 of the Dunkel Draft: while the latter referred only to geographical indications identifying wines, TRIPS extended this exemption to spirits.

### 3. Possible interpretations

#### 3.1 Article 22 (Geographical indications in general)

##### 3.1.1 Article 22.1

Geographical indications are, for the purposes of this Agreement, 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.

The definition of geographical indications in Article 22.1 avoids specifying the kind of “indications” that are within its scope. A word may serve as a geographical indication without itself being the name of a territory, and so may “evoke” the territory. While a word may be an indication, other types of symbols, such as pictorial images, might also serve as identifiers.

The definition is limited to a “good”, indicating that the negotiators rejected the proposal that services also be attributed to territories. This does not preclude the possibility that Members may under national law allow claims for unfair competition based on misleading attribution of the source of services, but such protection is not required by this section of TRIPS.

<sup>368</sup> Note that the numbering of the provisions on geographical indications is the same in the Dunkel Draft and the TRIPS Agreement.

While the reference to a “good” is limiting in the sense of excluding services, it is broad in the sense of applying to all goods for which an appropriate geographical link is made. All agricultural products, for example, and not only wines and spirits as more specifically addressed in Article 23, are potentially the subject of geographical indications.

The geographical indication identifies a good “originating” in the territory of a Member. This means that the good must be mined, grown or manufactured in that territory. As a consequence, there is no possibility for assigning the right to affix a geographical indication to a party outside that territory. Note, however, that there may be some flexibility in the term “originating”. Some portion of the work involved in creating a good might take place outside the territory without undermining its “originating” character. The permissible extent of such outside work is a question common to the area of rules of origin elsewhere in GATT-WTO law. Because the law applicable to geographical indications is unsettled, there may well be dispute regarding the extent of the flexibility as to permissible outside work.

The definition in Article 22.1 refers to “a given quality, reputation or other characteristic of the good . . . essentially attributable to its geographical origin”. The notion of “quality” would encompass physical characteristics of the good, that is, attributes of the good that can be objectively measured. By separate reference to “reputation”, however, the definition makes clear that identification of a particular objective attribute of a good is not a prerequisite to conferring protection. It is enough that the public associates a good with a territory because the public believes the good to have desirable characteristics, *i.e.*, that the good enjoys a “reputation” linked to the identifier of the place.

Geographical indications, like trademarks, may be built up through investment in advertising. This leads to the possibility that the public will in fact be deceived as to the quality of goods and its territorial link through false or misleading advertisement.

Article 22.1 refers to “other characteristic” of the good. If quality is commonly understood as implying a positive attribute, and reputation is commonly understood to imply a favourable impression, the term “other characteristic” may imply that a good may have an attribute such as colour, texture or fragrance that might be considered more neutral or even unfavourable in the perception of consumers, yet still entitle the producing territory to protect its name in respect of that good.

The quality, etc., must be “essentially attributable” to the geographic territory.<sup>369</sup> This term or phrase is intended to establish the “link” between the product and the relevant territory. In large measure, the question whether product characteristics or reputation are attributable to a territory is at the root of debate concerning the potential scope of coverage for geographical indications. A literal reading of “territory” would suggest that the link must be physical, that is, that the product must embody certain characteristics because of the soil conditions, weather or

<sup>369</sup> The Oxford New Shorter English Dictionary defines “attributable” as an adjective as “able to be attributed *to*, owing *to*”. As a noun, “attribute” is defined as

“2 A quality or character ascribed (esp. in common estimation) to a person or thing. Also, an epithet denoting this...4 An inherent characteristic quality or feature of a person or thing; a property; in *Statistics* etc., a non-quantifiable property.”

### 3. Possible interpretations

291

other physical elements in a place. This might be demonstrable, for example, in respect to wines the grapes for which are harvested in certain locations. However, because the notion of “essentially attributable” to geographic territory is extended by other terms in the Article 22.1 definition to refer to reputation, this implies that the link to territory may be based on human labour in the place. It might even extend to goodwill created by advertisement in respect to the place, although such an interpretation might at some point strain the definition of “attributable” which appears to require that the characteristic or reputation be inherent in the place, and not be solely the figment of a product marketer’s imagination. This is not to suggest that national authorities in each WTO Member must adopt a broad reading of “reputation” or “essentially attributable”, but rather to suggest that the language has some inherent flexibility.

#### 3.1.2 Article 22.2

In respect of geographical indications, Members shall provide the legal means for interested parties to prevent:

- (a) the use of any means in the designation or presentation of a good that indicates or suggests that the good in question originates in a geographical area other than the true place of origin in a manner which misleads the public as to the geographical origin of the good;
- (b) any use which constitutes an act of unfair competition within the meaning of Article 10*bis* of the Paris Convention (1967).

Article 22.2 establishes the basic standard of protection for geographical indications. It is a non-specific standard leaving to Members substantial flexibility. It should be noted at the outset of this discussion that Article 23, TRIPS Agreement, eliminates a significant degree of this flexibility for geographical indications pertaining to wines and spirits, and the following discussion may be helpful in explaining why Article 23 was adopted.

A Member must “provide the legal means”. The “legal means” could refer to a wide variety of statutory, administrative and/or common law methods of protection, and appears to encompass all the possibilities for protection in use by Members when TRIPS entered into force. As described earlier, this includes protection under common law doctrines of unfair competition, passing off, registration of collective and certification marks, registration of geographical indications and appellations of origin, and administrative mechanisms.

The legal means must be provided to “interested parties”. This would extend beyond governmental authorities to persons with rights in the geographical indication in question, but again leaves substantial flexibility as to how the requirement might be implemented. For example, in respect of a region, the party interested in a geographical indication might be an organization or collective of producers that exercises control over use of the relevant term, and the “interested party” might be limited to the organization or collective. In this context, national law may limit access to the legal means for protection to what is defined as an “interested party”

for this purpose. Article 22.2 does not appear to require that all persons who might conceivably assert an interest in a geographical indication be entitled to prosecute a claim of protection.<sup>370</sup>

The scope of protection in Article 22.2(a) extends to “the use of any means in the designation or presentation of a good that indicates or suggests that the good in question” originates in a place. The reference to “any means in the designation or presentation” is rather broad, and appears to encompass the notion that the designation or presentation need only “evoke” the territory, and thus not be limited to a geographic name. For example, the name of a cheese may often not be that of a geographic location as such, but rather be associated with a particular locality where it is produced. The Article 22.2(a) reference to “designation or presentation” does not exclude the names of cheeses that evoke a locality. Moreover, the reference to “any means” may extend to graphical or pictorial representations of a region. When the terms “any means” are read in combination with “indicates or suggests”, the definition appears to be open to a wide potential range of signifiers that would evoke a connection between a good and a place.

Having noted that the potential range of signifiers is very broad, the definition is qualified by the terms “originates in a geographical area other than the true place of origin in a manner which misleads the public as to the geographical origin of the good”. The “true place of origin” refers to the place where the good is actually grown, mined or manufactured, as opposed to the geographic location where, in view of the interested party, it should have been made. The key limitation in the Article 22.2(a) definition is that the designation “*misleads the public* as to the geographical origin of the good” [italics added].

Under what circumstances will a designation be understood to “mislead the public”? The “public” might be understood as the general consumer with limited knowledge as to the origin of products, or it might be understood as a more specialized group of consumers who regularly purchase the products in question. By way of illustration, many cheeses are marketed in the United States under names of European origin. However, it is very doubtful that a significant part of the consuming public in the United States draws a link between these cheeses and any geographic location. Assuming solely for argument’s sake that American consumers have some vague sense that a type of cheese at some point was made in Europe, specific knowledge as to a geographical link is likely to be limited to a very small portion of consumers.<sup>371</sup> If only a small part of American consumers might be confused as to the geographic origin of their purchases, does that small part constitute the “public”?

<sup>370</sup> Note that Article 10(2) of the Paris Convention enumerates parties who should be accorded the right to prevent imports under Article 10. However, there are substantial differences between the substantive obligations under Article 10 of the Paris Convention and under Article 22.2 of the TRIPS Agreement, and it is not clear what conclusions might be drawn from such reference. See also Section 2.1.1.1 *supra*.

<sup>371</sup> In U.S. trademark law, establishing consumer confusion generally requires that some significant portion of the relevant consuming public identifies a mark with a good, and not only a few with specialized knowledge. In European trademark law, it may be more accepted that specialized consumers, even though small in number, will be considered to form a sufficient target of confusion.

### 3. Possible interpretations

293

National authorities might determine that consumers will not be misled if there is sufficient information regarding the actual (or true) origin of the product on labelling or packaging, even if a geographical indication appears on the labelling or packaging as well. Of course, whether adequate labelling might serve to dispel potential confusion would depend on the way it is presented. Even accurate information can be presented in a misleading way.

The term “Champagne” is often used as the paradigm geographical indication that has earned protection against use by producers outside a region. It is doubtful that interested parties of most other geographical terms can establish close to the level of association that consumers make between the Champagne region of France and quality sparkling wine. Even in light of that strong association, German producers of “Sekt” argued vigorously before the European Court of Justice that consumers would *not* be confused by a label referring to the “champagne-method” of production, provided that a bottle disclosed the true origination of the product in Germany.<sup>372</sup> (The ECJ rejected the petition of the German producers on grounds, *inter alia*, that the Community had not acted in a manifestly inappropriate way. Its regulations were within the permissible scope of Community regulation.)

The requirement that a geographical indication mislead the public as to the origin of a good places considerable discretion in the hands of national authorities to determine how the “public” will be defined and how strong an association there must be to establish that the public is “misled”.

Article 22.2(b) refers to “any use which constitutes an act of unfair competition within the meaning of Article 10*bis* of the Paris Convention (1967).”<sup>373</sup> As noted in Section 2.1.1.1 of this chapter, the Paris Convention establishes a general frame of reference regarding the doctrine of unfair competition, rules on which are found in all legal systems, though legislated and implemented in different ways. As noted in the introductory discussion, common law systems allowed causes of action against the misleading use of geographical names under the doctrine of “passing off” (or, in essence, representing that goods were those of a competitor), or as a tort of unfair competition. Since unfair competition is not a rigidly defined concept, Article 22.2(b) appears primarily intended to bring forward the causes of action previously found in common and civil law legal systems with respect to geographical indications, but without attempting to more precisely regulate how those causes of action are defined or implemented. For example, Article 10*bis*(3)(3), Paris Convention, provides that acts prohibited under the doctrine of unfair competition shall include “indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods.” It is not clear the extent to which this provision adds to the obligation established by Article 22.2(a) of TRIPS to prevent the use of geographical indications in a way that would mislead the public as to the origin of goods,

<sup>372</sup> See *SMW Winzersekt GmbH v. Land Rheinland-Pfalz*, ECJ, (C-306/93), [1995] 2 CMLR 718.

<sup>373</sup> The subject of unfair competition is also treated in this book in respect to trade secrets, which rely on Article 10*bis* as the legal ground for protection in Article 39.1, TRIPS Agreement. See Chapter 28.



especially since the protectable characteristics include the quality, reputation or “other characteristics” associated with the goods. The reference to Article 10*bis* may be intended to indicate that Article 22.2(a) should not be understood as a limitation on causes of action previously available under Article 10*bis*, Paris Convention, regarding geographical indications. It may also be argued that Article 22.2(b) extends the scope of protection provided under Article 22.2(a) because it protects against misleading the public regarding the “nature or characteristics of goods”, thus encompassing more directly the situation where a geographic indication is used along with a qualifier or disclaimer (e.g., California Chablis). This situation may already be within the scope of potentially misleading consumers concerning “origin”, because qualifiers and disclaimers in trademark law (by way of analogy) are not necessarily a barrier to a finding of consumer confusion. The fact that a consumer may ultimately recognize that “California Chablis” does not originate in a region in France does not mean that the consumer’s initial interest was not attracted by a misleading suggestion of origin. Ultimately this is a question of fact.

As noted earlier, Article 23 provides additional protection for wines and spirits and expressly limits the flexibilities inherent in Article 22. Moreover, Article 22.2 must be read in connection with Article 24 that establishes exceptions to some generally applicable rules.

### 3.1.3 Article 22.3

A Member shall, *ex officio* if its legislation so permits or at the request of an interested party, refuse or invalidate the registration of a trademark which contains or consists of a geographical indication with respect to goods not originating in the territory indicated, if use of the indication in the trademark for such goods in that Member is of such a nature as to mislead the public as to the true place of origin.

Article 22.3 should be read in conjunction with Article 24.5. The practical effect of Article 22.3 is substantially affected by Article 24.5.

Article 22.3 essentially establishes that trademarks should not be registered if they contain or consist of a geographical indication in a manner “as to” mislead the public as to the origin of goods. It refers both to future applications for registration, which should be denied, and to existing registrations, which should be invalidated. Article 22.3 relies on the “mislead the public” language of Article 22.2(a). It is not clear why the drafters of Article 22.3 chose not to refer back to Article 22.2(a) as the definitional context for marks that should be precluded from registration or should be invalidated, though perhaps it was thought that Article 22.2(b) would expand the potential range of indications that should be subject to Article 22.3.

Article 22.3 places substantial discretion in the hands of trademark registration authorities since (a) it provides that they should act *ex officio* if permitted under national law and (b) it places in their hands at least an initial determination whether the public will be misled by use of a geographical term. Article 22.3 appears to place an affirmative duty on trademark registration

### 3. Possible interpretations

295

authorities to examine the records of issued trademarks for evidence of conflict with geographical indications for purposes of potential purging of misleading marks, though it seems unlikely that trademark authorities would in fact be prepared to undertake such a retroactive review of registered marks. Moreover, since Article 24.5 excludes marks registered or acquired by use in good faith prior to entry into force of TRIPS Agreement provisions in the respective Member, there would be grounds only to look back at trademarks acquired in “bad faith”. The actions of trademark authorities are in any event subject to the requirements of Part IV, TRIPS Agreement, regarding the acquisition and maintenance of rights (see Part 4 of this book).

#### 3.1.4 Article 22.4

The protection under paragraphs 1, 2 and 3 shall be applicable against a geographical indication which, although literally true as to the territory, region or locality in which the goods originate, falsely represents to the public that the goods originate in another territory.

Article 22.4 is directed to the circumstance in which a territory or locality in Member A has taken the same name as a territory or locality in Member B, and a person in Member A uses a corresponding geographical indication to take advantage of the reputation of a good built up in Member B. This might, for example, apply to a locality in the Americas that used the name of a European locality when it was established. It is in effect an anti-circumvention measure. It may be argued that producers of an identically-named region should not be precluded from using their own geographical name in commerce, provided that they adequately indicate the actual geographical origin of goods through labelling.

### 3.2 Article 23 (Wines and Spirits)

#### 3.2.1 Article 23.1

Each Member shall provide the legal means for interested parties to prevent use of a geographical indication identifying wines for wines not originating in the place indicated by the geographical indication in question or identifying spirits for spirits not originating in the place indicated by the geographical indication in question, even where the true origin of the goods is indicated or the geographical indication is used in translation or accompanied by expressions such as ‘kind’, ‘type’, ‘style’, ‘imitation’ or the like.\*

[Footnote]\* Notwithstanding the first sentence of Article 42, Members may, with respect to these obligations, instead provide for enforcement by administrative action.

It is important to observe at the outset of discussion of Article 23 that obligations under it are significantly qualified by exceptions set out in Article 24. These

exceptions are detailed in discussion of Article 24 (see below, Section 3.3 of this chapter).

Article 23 is limited in its scope of application to “wines”<sup>374</sup> and “spirits”.<sup>375</sup> There is considerable scope for defining wines and spirits more and less inclusively. Although the most common reference to “wine” is to a product made from grapes, there are other distilled alcoholic beverages that use the term “wine”, including “rice wine” and wines made from various fruits other than grapes (for example, “peach wine”). Uruguay Round negotiators manifested their understanding that wine may include more products than grape-derived wine when in Article 24.6 they specifically referred to “products of the vine” and “grape varieties”. The term “spirits” may be limited to beverages with a higher alcoholic content which is perhaps the most common understanding of that term. A narrow definition of “wines” and “spirits” may exclude certain intermediate alcoholic beverages between wines (which generally have a lower alcohol content) and spirits (which generally have a higher alcoholic content), such as certain liqueurs. It appears that the text of Article 23.1 does not include “beer”,<sup>376</sup> which is certainly not wine, nor is it within the common understanding of “spirits” (because, *inter alia*, the alcohol content of beer is typically low). The intention of the drafters as regard the scope of “wines” and “spirits” is not clear from the text of Article 23.1, leaving to Members some discretion as to the scope of coverage for these terms.

As with respect to Article 22.2, the use of the term “legal means” in Article 23.1 leaves to the discretion of each Member the manner in which it will implement its obligation to allow “interested parties” to prevent use. Also, the “interested parties” who are entitled to bring an action may be defined in national law. Because wine growing regions commonly impose conditions on local producers to be considered authorized users of the regional denomination, this may account for restrictions in some national laws regarding who is entitled to bring an action as an “interested party”.

Unlike Article 22.2(a), Article 23.1 does not impose the requirement that use of the geographical indication mislead the public. The difficulties inherent in demonstrating consumer association between the product and the place are dispensed with. Furthermore, Article 23.1 goes a step further and addresses the potential cure by labelling. Neither indicating the true origin of the good, nor use of the terms “kind”, “type”, “style”, “imitation” or “the like”, in conjunction with the geographical indication is acceptable as a cure for use of the indication.

The preclusion of cure by accurate labelling is not so unusual in the context of protection of identifiers. In trademark law, for example, use of a third person’s mark for commercialization purposes is not generally cured if accompanied by

<sup>374</sup> The New Shorter Oxford English Dictionary defines wine, as a noun: “1 Alcoholic liquor produced from fermented grape juice; (with specifying wd) a type of this; a drink of this. 2 Alcoholic liquor resembling wine made from the fermented juice of other fruits, or from grain, flowers, the sap of various trees, etc. Usu. w. specifying wd”.

<sup>375</sup> The New Shorter Oxford English Dictionary defines “spirit”, as a noun: “13c Strong distilled alcoholic liquor for drinking”.

<sup>376</sup> The New Shorter Oxford English Dictionary defines “beer”, as a noun: “1 Alcoholic liquor produced by fermentation of malt etc. and flavoured with hops or other bitters, *esp.* the lighter kind of liquor so produced; a type of this; a drink of this”.

### 3. Possible interpretations

297

an indication of the actual producer of the good. This is because the consumer is drawn to the good by the mark. The mark has confused the consumer, even if that confusion is eventually dispelled.

Yet the preclusion of cure by additional labelling does not resolve all questions relating to association between a product and a place. The definition of “geographical indication” in Article 22.1, which also applies to Article 23, requires that there be a link between the product – whether by quality, reputation or other characteristic – and the place. While under Article 23.1 the person asserting rights in a geographical indication for wines or spirits need not demonstrate that consumers have been misled by a third party’s use, the person asserting rights must still demonstrate that there is a link between the wine or spirit and the territory – to the exclusion of the other’s potential claim to a *bona fide* use (although, as noted below, homonymous indications may be enforced, raising the possibility that more than one claimant may have rights to prevent use). That is, the capacity to enforce a geographical indication depends on holding a geographical indication to the exclusion of others.

Footnote 4 provides that Members may enforce the obligation under Article 23.1 through administrative action, despite the first sentence of Article 42. The latter provides:

“Members shall make available to right holders\* civil judicial procedures concerning the enforcement of any intellectual property right covered by this Agreement”.

[Footnote] “\*For the purpose of this Part, the term ‘right holder’ includes federations and associations having legal standing to assert such rights.”

This suggests that holders of geographical indications in wines and spirits may have a more limited set of judicial remedies available than other IPR holders under TRIPS. However, this should not be understood to reduce the protections afforded to defendants to protect their interests, as already provided in Article 49 regarding administrative procedures, which states:

“To the extent that any civil remedy can be ordered as a result of administrative procedures on the merits of a case, such procedures shall conform to principles equivalent in substance to those set forth in this Section.”<sup>377</sup>

#### 3.2.2 Article 23.2

The registration of a trademark for wines which contains or consists of a geographical indication identifying wines or for spirits which contains or consists of a geographical indication identifying spirits shall be refused or invalidated, *ex officio* if a Member’s legislation so permits or at the request of an interested party, with respect to such wines or spirits not having this origin.

Article 23.2 should be read in conjunction with Article 24.5. The practical effect of Article 23.2 is substantially affected by Article 24.5.

<sup>377</sup> For more details on this provision, see Chapter 30.

Article 23.2 is similar to Article 22.3, except it dispenses with “if use of the indication in the trademark for such goods in that Member is of such a nature as to mislead the public as to the true place of origin”. In this regard, the scope of inquiry by the trademark registration authorities under Article 23.2 should be significantly more limited than under Article 22.3. Again, however, it remains for the claimant to demonstrate that it is the holder of a geographical indication – linking a product to a place – and this imposes a burden of proof on the claimant.

### 3.2.3 Article 23.3

In the case of homonymous geographical indications for wines, protection shall be accorded to each indication, subject to the provisions of paragraph 4 of Article 22. Each Member shall determine the practical conditions under which the homonymous indications in question will be differentiated from each other, taking into account the need to ensure equitable treatment of the producers concerned and that consumers are not misled.

“Homonymous” is defined by the New Shorter Oxford English Dictionary (as an adjective) as

“1 Employing the same name for different things, equivocal, ambiguous 2 Having the same name”.

Article 23.3 addresses the situation in which two different geographic regions use the same name for a wine or spirit, and where each such use is *bona fide*. (The reference back to Article 22.4 excludes the circumstance in which a second-user has adopted a geographic name to take unfair advantage of the original user of that name.) It is left to each Member to determine “practical conditions under which the homonymous indications in question will be differentiated from each other”. This instruction is decidedly vague and leaves each Member with substantial discretion as to how it might require producing regions to distinguish their products. This might include, for example, requiring that the country of origin be stated on the label in a particular way (in addition to the more specific geographical indication). The direction to take into account equitable treatment of producers suggests that measures should not be used to discriminate in favour of producers of one region over another. The direction to protect consumers suggests that whatever system is adopted should clearly inform the consumer.

### 3.2.4 Article 23.4

In order to facilitate the protection of geographical indications for wines, negotiations shall be undertaken in the Council for TRIPS concerning the establishment of a multilateral system of notification and registration of geographical indications for wines eligible for protection in those Members participating in the system.

### 3. Possible interpretations

299

Article 23.4 placed on the built-in agenda of the TRIPS Council a negotiation limited to the subject matter of wines.<sup>378</sup> This paragraph refers to Members “participating in the system”, and it might well be understood as envisioning the possibility of a plurilateral agreement.<sup>379</sup> Alternatively, it might be suggested that since not all Members are wine producers, even if there is true multilateral agreement on a register, not all Members would be understood to “participate” in the system. (This interpretation suffers from the fact that protection for wine exporters depends on recognition of rights in importing Members, so that Members without producers would still be required to “participate” in the system if it is to work on a multilateral basis.) Or, the negotiations might result in a multilateral agreement as to which Members could choose to participate or not, although this would seem mainly in the nature of a plurilateral agreement.

The term “notification” indicates that part of the negotiations should concern only a system for providing information. Of course, notification may have a beneficial effect for those seeking to protect geographical indications since, for example, trademark authorities may be required under Article 23.2 to take *ex officio* action to revoke trademarks that consist of geographical indications. With a notification system in place, trademark authorities might avoid a search for potentially relevant geographical indications.

The term “registration” implies steps toward a more enforcement-oriented system, since registration of IP rights generally establishes a presumption in favour of the registered right holder. Whether registration creates a presumption of rights might depend on whether registration is predicated upon substantive review by relevant authorities, or is automatic based on application. If registration is automatic, a good case can be made for denying such act a presumption-creating effect.

In the TRIPS Council, Members have expressed differing views on the interpretation of this provision.<sup>380</sup>

In any event, Article 23.4 does not obligate Members to do anything other than to undertake negotiations in the TRIPS Council.

### 3.3 Article 24 (International negotiations; exceptions)

#### 3.3.1 Article 24.1

Members agree to enter into negotiations aimed at increasing the protection of individual geographical indications under Article 23. The provisions of paragraphs 4 through 8 below shall not be used by a Member to refuse to conduct negotiations or to conclude bilateral or multilateral agreements. In the context

<sup>378</sup> Note that the scope of these negotiations was later extended to cover also spirits. See Section 6.4, below.

<sup>379</sup> Under WTO law, a plurilateral agreement is an agreement to which not every WTO Member is a party. Adherence is optional (e.g. the WTO Agreement on Government Procurement). Most of the WTO Agreements are multilateral agreements: participation is mandatory and an integral part of a country's membership in the WTO (“single undertaking”).

<sup>380</sup> See below, Section 6.4 of this chapter.

of such negotiations, Members shall be willing to consider the continued applicability of these provisions to individual geographical indications whose use was the subject of such negotiations.

Article 24.1 provides a basis for future negotiations. The reference in the first sentence to “individual geographical indications” suggests that Members intended to address indications on an identifier-by-identifier basis, as opposed to a product class-by-product class basis. The term “individual” is an adjective or noun referring to a single item.<sup>381</sup> It would be difficult to construe the term “individual geographical indications” as referring to something other than particular names suggesting territories.

The latter issue being uncontested, the interpretation of this provision has nevertheless been the source of considerable controversy in the TRIPS Council. Delegations disagree on the question whether Article 24.1 is limited to geographical indications for wines and spirits, or whether it authorizes negotiations to extend the additional protection available under Article 23 TRIPS to goods other than wines and spirits.<sup>382</sup>

Members opposing such extension argue that the terms “individual geographical indications under Article 23” relate exclusively to the goods covered by Article 23, i.e. wines and spirits. According to this view, the reference to increased protection of those indications relates to the possible abolition of the current exemption under Article 24.4.<sup>383</sup> Consequently, the authorization for negotiations under Article 24.1 would be limited to ‘individual indications for wines and spirits’.<sup>384</sup> Therefore, there would be no mandate for negotiations on the extension of the Article 23 protection to products other than wines and spirits. Such negotiations would re-open TRIPS without any legal basis.<sup>385</sup>

Members favouring the extension contend that “provisions of Article 24.1 are of general application to all products and the reference to Article 23 does not relate to products contained therein but to a means of additional protection to be provided.”<sup>386</sup> To support their view, those Members refer to Article 24.2, which authorizes the TRIPS Council to keep under review the application of the provisions

<sup>381</sup> The New Shorter Oxford English Dictionary defines “individual” as a noun and adjective as “3 Existing as a separate indivisible identity; numerically one; single, as distinct from others of the same kind; particular. 4 Of, pertaining or peculiar to a single person or thing, rather than a group; characteristic of an individual.”

<sup>382</sup> For a detailed discussion of the opposing arguments in the TRIPS Council and an overview of the positions taken by WTO Members, see Rangnekar, *Geographical Indications. A Review of Proposals at the TRIPS Council: Extending Article 23 to Products other than Wines and Spirits*, UNCTAD-ICTSD, Geneva, 2003 [hereinafter Rangnekar] (also available at <<http://www.iprsonline.org/unctadictsd/projectoutputs.htm#casestudies>>). The following paragraphs are based on that study.

<sup>383</sup> See the Communication from New Zealand (IP/C/W/205, paragraph 23).

<sup>384</sup> *Ibid.*, paragraph 22; see also the TRIPS Council Minutes of Meeting of 6 March 2001 (IP/C/M/29, point G).

<sup>385</sup> See the Communication from Argentina, Australia, Canada, Chile, Guatemala, New Zealand, Paraguay, and the USA (IP/C/W/289, paragraph 3).

<sup>386</sup> See the Communication from Bulgaria, the Czech Republic, Egypt, Iceland, India, Kenya, Liechtenstein, Pakistan, Slovenia, Sri Lanka, Switzerland and Turkey (IP/C/W/204, paragraph 12).

### 3. Possible interpretations

301

on geographical indications. With respect to this mandated review, the TRIPS Council reported to the 1996 Singapore Ministerial that inputs from delegations on the issue of scope were permitted.<sup>387</sup> The supporters of extension consider this reference by the TRIPS Council to the “scope” of the review to support<sup>388</sup> negotiations on extension in the above sense.<sup>389</sup>

So far, this interpretative issue has not been settled.

The second sentence of Article 24.1 refers to the exceptions of Article 24.4–8, and indicates that the exceptions should not be used as the basis for refusing to conduct future negotiations. Some Members apparently considered that other Members would argue that because certain geographical indications are not currently protected, they should not be protected in the future. That is, that an agreement to exclude those indications *ab initio* barred the future consideration of their protection. As a practical matter, allowing for the future consideration of matters initially excepted does not affect what Members might otherwise negotiate over, since future negotiations might relate to any matters already addressed by an agreement. Nonetheless, the provision appears aimed at clarifying the initial intent.

Some Members also were concerned that the exceptions would be used by some other Members to refuse negotiations on protection of geographical indications in the bilateral or multilateral context outside the WTO TRIPS Agreement framework. Although Members may pursue negotiations regarding IPRs matters not covered by TRIPS, the potential for concluding bilateral or multilateral negotiations on geographical indications outside the Council for TRIPS context raises some difficult questions under the principle of non-discrimination embodied in Article 4 regarding most favoured nation (MFN) treatment.<sup>390</sup> If Member A agrees on a bilateral basis to protect certain geographical indications of Member B, but does not agree to protect other geographical indications of Member C, it would appear that Member A is discriminating in favour of Member B and against Member C. From a TRIPS standpoint, failure of reciprocity is not an adequate defence to an allegation of discrimination. TRIPS Agreement rights and obligations are not based on reciprocity. Nevertheless, extending bilateral rights in geographical indications to other Members could prove to be quite complex, where bilateral protection has been negotiated for individual indications, as authorized under Article 24.1, and not for an entire product class.<sup>391</sup> If Member A affords TRIPS-plus protection to a particular indication from Member B, it cannot simply extend the protection of this particular indication to Member C, because the protected good is not produced in C, and producers from C must not use the indication protected in B.<sup>392</sup> Instead, Members A and C would have to agree, in bilateral

<sup>387</sup> See document IP/C/8, paragraph 34.

<sup>388</sup> Rangnekar, p. 45, with further arguments and discussion.

<sup>389</sup> See the Communication (Revision) from Bulgaria, the Czech Republic, Egypt, Iceland, India, Kenya, Liechtenstein, Pakistan, Slovenia, Sri Lanka, Switzerland and Turkey (IP/C/W/204/Rev.1, paragraph 14).

<sup>390</sup> Discussed in Chapter 4.

<sup>391</sup> See Article 24.1 TRIPS, which refers to “individual geographical indications”. See above, the interpretation of the first sentence of Article 24.

<sup>392</sup> For example, the USA could not just extend the protection granted to “Champagne” to producers in Argentina, who do not and must not produce “Champagne”.



negotiations, which particular geographical indication from Member C would enjoy, in Member A, a protection comparable to the one afforded to the indication from Member B.<sup>393</sup> It remains for Members to clarify this situation.

The final sentence of Article 24.1 essentially brings Members back to the starting point. That is, the Members who might have refused to negotiate on grounds that certain geographical indications were exempted under Articles 24.4–8 may yet decide that they wish to see those exemptions maintained. There is no presumption in favour of extending the scope of protection.

### 3.3.2 Article 24.2

The Council for TRIPS shall keep under review the application of the provisions of this Section; the first such review shall take place within two years of the entry into force of the WTO Agreement. Any matter affecting the compliance with the obligations under these provisions may be drawn to the attention of the Council, which, at the request of a Member, shall consult with any Member or Members in respect of such matter in respect of which it has not been possible to find a satisfactory solution through bilateral or plurilateral consultations between the Members concerned. The Council shall take such action as may be agreed to facilitate the operation and further the objectives of this Section.

Article 24.2, first sentence, places review of the “application” of Part II, Section 3, on the built-in agenda of the TRIPS Council, with the first review scheduled to take place prior to December 31, 1996. The reference to “application” suggests that it is the conduct of Members in implementing provisions, rather than the provisions themselves, that are the subject of the review. The second sentence entitles a Member with a complaint concerning compliance with the provisions to bring the matter to the attention of the TRIPS Council for consultations and, following failed bilateral or plurilateral consultations, the Council will consult with a Member or Members that are complained about. The third sentence provides that the Council “shall take such action as may be agreed to facilitate the operation and further the objectives of this Section.” This third sentence presumably relates to both of the two preceding sentences, that is, the Council’s general obligation to review application of the Section and specific complaints raised by Members. There are several interesting aspects to the third sentence. First, action is limited to matters that may be “agreed”. This suggests that no Member could be directed to take measures to which it objects, assuming that the Council for TRIPS continues to operate by consensus. Second, the action should involve steps that may

<sup>393</sup> This is the reason why in the Anell Draft, the provision on bilateral agreements (paragraph 4.2b, see above, Section 2.2) proposed “to require each PARTY belonging to such an agreement to be ready to extend such advantage, favour, privilege or immunity, on terms equivalent to those under the agreement, to any other PARTY so requesting *and to enter into good faith negotiations to this end.*” (emphasis added). This problem is particular to geographical indications. In the case of other intellectual property rights, bilateral TRIPS-plus protection is usually negotiated for an entire category of rights (i.e. patents) and not for individual products. Therefore, the extension of such protection to other WTO Members does not depend on further negotiations. If, for instance, Member A accords TRIPS-plus protection to patent holders from Member B, it can extend the same type of protection to patent holders from Member C.

### 3. Possible interpretations

303

“facilitate the operation and further the objectives” of the Section. Such action might be a recommendation to one or more Members regarding compliance with the agreement, or it might involve making a broader recommendation regarding amendments or modifications to the Section. Although the text is not a model of clarity, it seems doubtful that the third sentence is intended to confer authority on the Council for TRIPS to take measures regarding changes to TRIPS in a manner different than that prescribed by the WTO Agreement.

#### 3.3.3 Article 24.3

In implementing this Section, a Member shall not diminish the protection of geographical indications that existed in that Member immediately prior to the date of entry into force of the WTO Agreement.

This provision appears to be directed to preventing Members from taking advantage of the flexibility inherent in Section 3 to the detriment of parties claiming rights in geographical indications. Although it is similar to Article 65.5, TRIPS, precluding developing Members enjoying a transition period from reducing consistency with TRIPS provisions,<sup>394</sup> it is worded differently. Article 65.5 does not suggest that laws should remain unchanged, provided that the result is consistent with the Agreement. Article 24.3 implies that there is a standard by which the protection of geographical indications may be measured, and that future actions should not place geographical indications below that standard. This is an ambiguous approach or concept since it presumes a measurement of the strength of protection that is not otherwise found in TRIPS, and it is unclear what the benchmarks for such measurement would be.

#### 3.3.4 Article 24.4

Nothing in this Section shall require a Member to prevent continued and similar use of a particular geographical indication of another Member identifying wines or spirits in connection with goods or services by any of its nationals or domiciliaries who have used that geographical indication in a continuous manner with regard to the same or related goods or services in the territory of that Member either (a) for at least 10 years preceding 15 April 1994 or (b) in good faith preceding that date.

Article 24.4 establishes a critical exception from the scope of Article 23. A Member is not required to prevent “continued and similar use” of particular geographical indications for wines and spirits. The exclusion applies to “goods and services”. This is significant because Section 3 otherwise establishes rules only respecting

<sup>394</sup> Article 65.5 provides:

“A Member availing itself of a transitional period under paragraphs 1, 2, 3 or 4 shall ensure that any changes in its laws, regulations and practice made during that period do not result in a lesser degree of consistency with the provisions of this Agreement.”

For a detailed analysis of this provision, see Chapter 33.

“goods”. The services might include, for example, advertising of wines and spirits, or listing them on restaurant menus. The rule applies not only to persons who are nationals, but also to persons domiciled in the Member, who have used the indication. The first of two criteria for qualifying for exception is that the indication has been used continuously, and in respect to the same or related goods and services in the territory of the Member, since at least 15 April 1984 (that is, ten years prior to 15 April 1994).<sup>395</sup> This first criterion is not qualified by a requirement of good faith. The similar or identical geographical indication may have been deliberately adopted to take advantage of the reputation of foreign producers.

A second (alternative) criterion is that the geographical indication has been used prior to 15 April 1994 “in good faith”. The “good faith” element is a potential source of controversy. From the standpoint of the party that adopted the geographical indication, “good faith” might mean a belief that its action did not violate a legal rule, even if it knew that producers in a foreign territory used the same indication. From the standpoint of a complaining producing region, “good faith” might suggest that the party adopting the indication was not aware, or did not have reason to be aware, of the indication that was adopted. If use of a foreign geographical indication was permitted under national law prior to 15 April 1994, it may be difficult to succeed with a case that its use was in bad faith. Action in bad faith implies wrongful conduct, and in the commercial context wrongful conduct is typically that which is contrary to legal norms.<sup>396</sup>

The two criteria of exclusion for wines and spirits suggest that much of the protection afforded by Article 23 will be prospective in nature, rather than reaching back to practices ongoing as of the time of the Marrakesh Ministerial.

### 3.3.5 Article 24.5

Where a trademark has been applied for or registered in good faith, or where rights to a trademark have been acquired through use in good faith either:

- (a) before the date of application of these provisions in that Member as defined in Part VI; or
- (b) before the geographical indication is protected in its country of origin; measures adopted to implement this Section shall not prejudice eligibility for or the validity of the registration of a trademark, or the right to use a trademark, on the basis that such a trademark is identical with, or similar to, a geographical indication.

Article 24.5 excludes from the application of Article 22.3 and Article 23.2 trademarks (i) that have been applied for or registered in good faith or (ii) that have been acquired by use in good faith. The criterion of “good faith” is not specifically

<sup>395</sup> 15 April 1994 is the date on which the Uruguay Round Agreements were adopted at the Marrakesh Ministerial. Members adopted this date in Article 24.3 presumably to prevent commercial operators from taking advantage of the delay until 1 January 1995 to initiate “good faith” use of indications.

<sup>396</sup> Article 39, TRIPS Agreement, refers to actions contrary to “honest commercial practices”, but includes a list of practices that are contrary to legal norms.

### 3. Possible interpretations

305

defined, but may mean that an intention to take unfair advantage of a competitor was absent, or that the applicant or registrant had a reasonable belief that its actions were not contrary to existing legal principles within its own jurisdiction.

The exception is limited in time to two circumstances. Registration must have been applied for or granted, or use must have been commenced, prior to entry into force of this section of TRIPS for the subject country (so, for example, on 1 January 2000, for developing countries), or before the indication is protected in its country of origin. Although the text is inelegantly drafted, it would appear that the temporal limitations established by subsections (a) and (b) apply both to registered marks and common law marks because the phrases following these subsections qualify registered marks as well as common law marks, and there is no indication that common law and registered marks are to be treated differently.

#### 3.3.6 Article 24.6

Nothing in this Section shall require a Member to apply its provisions in respect of a geographical indication of any other Member with respect to goods or services for which the relevant indication is identical with the term customary in common language as the common name for such goods or services in the territory of that Member. Nothing in this Section shall require a Member to apply its provisions in respect of a geographical indication of any other Member with respect to products of the vine for which the relevant indication is identical with the customary name of a grape variety existing in the territory of that Member as of the date of entry into force of the WTO Agreement.

Article 24.6 recognizes that some terms claimed as geographical indications are the common name for goods and services in Members, and provides a general exception for providing protection against the usage of such names. Article 24.6 does not rely on the term “generic”, which is an important term in trademark law, to describe the subject terms, but rather uses the phrase “the term customary in common language as the common name”. The term “generic” (or “non-generic”) was proposed for use in parts of this Section during the negotiation phase. Perhaps it was rejected because negotiators did not want the specialized trademark law meaning to be transposed to this context (recognizing that the term “generic” may be defined differently in Members), or perhaps it was rejected because the term “generic” tends to apply to the broad class of a product, while geographical indications may typically apply to a specialized product. In any case, whether a term is the common name for goods and services is a factual question that is analogous to the trademark law factual question whether a term is generic. An inquiry may rely on dictionaries, books and periodicals, consumer surveys and the knowledge of the judge.<sup>397</sup>

The second sentence is inelegantly drafted. The sentence is ambiguous because it uses the term “Member” three times, but it is not completely clear to which “Member” the third reference to “that Member” is intended to apply. The sentence

<sup>397</sup> In trademark cases where a term is argued to be generic, if the term is sufficiently familiar, *e.g.*, “chair”, a judge may determine genericness as a matter of his or her own knowledge.

could be construed such that if, in Member A, wine is produced from and given the name of grapes that are customarily known in Member A by the name of a geographic region in Member B, protection need not be provided to the name of the geographic region in Member B. Article 26.3 of the Brussels Text (see Subsection 2.2.6 above), would suggest that this first construction is intended. Alternatively, the second sentence may provide an exception from protection in Member A as to a geographical indication for grape wine which is, as to Member B, both the geographic name associated with the wine and the customary name of the grape variety from which it is made.<sup>398</sup>

### 3.3.7 Article 24.7

A Member may provide that any request made under this Section in connection with the use or registration of a trademark must be presented within five years after the adverse use of the protected indication has become generally known in that Member or after the date of registration of the trademark in that Member provided that the trademark has been published by that date, if such date is earlier than the date on which the adverse use became generally known in that Member, provided that the geographical indication is not used or registered in bad faith.

A request regarding a trademark under this Section would be directed to the trademark authorities asking that the mark be refused registration or invalidated because it conflicts with a protected geographical indication. A “request” might be made in connection with “use” to the extent that an application for registration is based on use in commerce, and a request for refusal is based on the use.

Article 24.7 allows a Member to provide, first, that a “request” must be made within a 5-year period after the geographical indication “has become generally known” in the Member where the request is made. The concept of “generally known” is employed because a geographical indication might be protected by unfair competition rules (rather than registration) so that knowledge would not arise as a presumption from registration.

Second, a Member may require that a request be made within five years of the registration of a trademark (so the request would be for invalidation), if that were shorter than the period during which adverse use of the geographical indication was generally known. This second option is limited to the extent that the trademark holder must not have registered the geographical indication in bad faith. A geographical indication might be registered as a trademark in bad faith, for example, as a means to prevent a competitor from entering the market without a *bona fide* intention on the part of the registrant to enter the market under that name.

The limitation on the time for requests need not be adopted by Members. It is set out as an option.

<sup>398</sup> So, for example, if in Member B wine is made in the “X” region from the “X” grape, wine growers in Member A may make and sell “X” wine because it is named for the “X” grape, even if “X” might otherwise be protected as a geographical indication.

#### 4. WTO jurisprudence

307

##### 3.3.8 Article 24.8

The provisions of this Section shall in no way prejudice the right of any person to use, in the course of trade, that person's name or the name of that person's predecessor in business, except where such name is used in such a manner as to mislead the public.

Article 24.8 appears directed to the situation in which a personal name is also used as the name of a business or product, and such name is also a geographical indication. A person retains the right to use their name in business, but not in "such a manner as to mislead the public." This problem arises also in trademark law when a personal name is also a trademark, and the personal name is used for business purposes. It is in fact a question whether the person using the personal name is attempting to unfairly exploit the trademark.

##### 3.3.9 Article 24.9

There shall be no obligation under this Agreement to protect geographical indications which are not or cease to be protected in their country of origin, or which have fallen into disuse in that country.

Article 24.9 effectively provides that geographical indications, at the option of the Member where protection is sought, are dependent on their treatment in the country of origin. This is different, for example, than the treatment of patents which are independent of their treatment in the country of invention. It reflects the nature of the geographical indication which depends on a link to a territory. If the link is broken, protection is lost. The rule presents some risks to the holders of geographical indications that are dependent on the actions of administrative bodies in their territories since action or inaction by those bodies may deprive the holders of rights they might have asserted based on public association of the geographical indication with the product. The last phrase indicates that a geographical indication may be lost through disuse in the country of origin. This is analogous to the treatment of trademarks, although trademarks are generally maintained or lost in their country of registration or use (not in the country of origin).<sup>399</sup>

#### 4. WTO jurisprudence

##### 4.1 EC – Protection of Trademarks and GIs

Following separate requests by Australia<sup>400</sup> and the USA,<sup>401</sup> the WTO Dispute Settlement Body (DSB) at its meeting on 2 October 2003 established a single

<sup>399</sup> Although under the Madrid registration system a mark may during a limited period be lost based on invalidation in the country of origin.

<sup>400</sup> WT/DS290/18 of 19 August 2003.

<sup>401</sup> WT/DS174/20 of 19 August 2003.

panel<sup>402</sup> to examine complaints with respect to EC Council Regulation (EEC) No. 2081/92 of 14 July 1992<sup>403</sup> on the protection of geographical indications and designations of origin for agricultural products and foodstuffs. The complaints are based, *inter alia*, on alleged violations of TRIPS Articles 22.1 (definition of GIs), 22.2 (a) and (b) (obligation to provide the legal means for the prevention of misleading use of GIs and the prevention of any use of GIs constituting an act of unfair competition), and 24.5 (good faith application, registration or use of trademarks).<sup>404</sup>

Article 2 of the above EC Regulation provides definitions for “designations of origin” and “geographical indications”.<sup>405</sup> The former appears to be narrower than the latter: as opposed to “geographical indications”, “designations of origin” does not refer to a product’s reputation as an independent element of protectable subject matter. In addition, the requirement of the link between the product’s characteristics and its origin appears to be stricter under “designations of origin”: the reference to a particular geographical environment includes a reference to the “inherent natural and human factors”, which is not the case for “geographical indications”.

The definition of “geographical indications” under Article 22.1 refers to “indications which identify a good as originating in the territory of a Member, or a region or locality . . .” The above EC Regulation defines “geographical indications” as “the name of a region, a specific place or, in exceptional cases, a country . . .”

As to the rights conferred by a GI, Article 22.2 (a) establishes the requirement of consumer confusion (“. . . in a manner which misleads the public as to the

<sup>402</sup> *European Communities – Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs* [hereinafter “*EC – Protection of Trademarks and GIs*”], WT/DS174/21 and WT/DS290/19 of 24 February 2004, Constitution of the Panel Established at the Requests of the United States and Australia.

<sup>403</sup> See above, Section 2.1.

<sup>404</sup> See the above requests by Australia and the USA for the establishment of a panel. The alleged violation of Article 22.1 (definition of GIs) was invoked solely by the USA. Australia, on the other hand, asserted a violation of both letters (a) and (b) under Article 22, whereas the USA referred expressly only to misleading use of GIs (letter (a) of the same provision). Note that the same complaint was also based on other TRIPS provisions, in particular relating to the national treatment and most-favoured nation treatment obligations and to trademark protection. See Chapters 4 and 14.

<sup>405</sup> The provision provides in part: “2. For the purposes of this Regulation: (a) designation of origin: means the name of a region, a specific place or, in exceptional cases, a country, used to describe an agricultural product or a foodstuff:

- originating in that region, specific place or country, and
- the quality or characteristics of which are essentially or exclusively due to a particular geographical environment with its inherent natural and human factors, and the production, processing and preparation of which take place in the defined geographical area;

(b) geographical indication: means the name of a region, a specific place or, in exceptional cases, a country, used to describe an agricultural product or a foodstuff:

- originating in that region, specific place or country, and
- which possesses a specific quality, reputation or other characteristics attributable to that geographical origin and the production and/or processing and/or preparation of which take place in the defined geographical area.

3. Certain traditional geographical or non-geographical names designating an agricultural product or a foodstuff originating in a region or a specific place, which fulfil the conditions referred to in the second indent of paragraph 2 (a) shall also be considered as designations of origin. [. . .]”

#### 4. WTO jurisprudence

309

geographical origin of the good”). The EC Regulation in Article 13.1 (b) provides that names registered as a “geographical indication” or a “designation of origin” shall be protected against

“(b) any misuse, imitation or evocation, even if the true origin of the product 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”

This provision makes the exercise of the rights conferred independent of actual consumer confusion.<sup>406</sup>

The above EC Regulation in Article 14 provides protection against the registration of trademarks corresponding to protected geographical indications. According to this provision,<sup>407</sup> such trademarks relating to the same product shall be refused registration or declared invalid

- in case the application for registration of the trademark was submitted after the application for GI registration was published;
- or in case the application for registration of the trademark was submitted before the application for GI registration was published, provided that that publication occurred before the trademark was registered.

Thus, the only situation under which a corresponding trademark may remain valid is where the application for GI registration is published only after the *bona-fide* registration of the trademark. But even under those circumstances, use of the trademark will be discontinued where<sup>408</sup>

- the trademark consists exclusively of signs or indications which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, geographical origin, or the time of production of the goods or of rendering of the service, or other characteristics of the goods;
- or where the trademark is of such a nature as to deceive the public, for instance as to the nature, quality or geographical origin of the goods or service;
- or where the trademark, after the date on which it was registered, in consequence of the use made of it by the proprietor of the trademark or with his consent in respect of the goods or services for which it is registered, is liable to mislead the public, particularly as to the nature, quality or geographical origin of those goods or services.

#### 4.2 Japan – Alcoholic Beverages

As noted in Section 2.1, above, Article IX, GATT 1947, was interpreted by a panel in the *Japan – Alcoholic Beverages* case.

<sup>406</sup> Note that in this respect, the above provision is similar to Article 23.1, TRIPS Agreement, which provides an enhanced form of protection for GIs for wines and spirits.

<sup>407</sup> See Article 14.1 of the above EC Regulation.

<sup>408</sup> See Article 14.2 of the above EC Regulation, referring to the First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trademarks.



## 5. Relationship with other international instruments

### 5.1 WTO Agreements

#### 5.1.1 The GATT

In Section 2.1, *supra*, it was noted that Article IX, GATT 1947, addressed geographical indications in a non-obligatory manner, and Article IX continues in force as part of GATT 1994. In light of the non-obligatory character of Article IX, and the more specific treatment of geographical indications in TRIPS, it is doubtful that there will be any conflict in operation of the relevant provisions.

#### 5.1.2 The TBT Agreement

The Agreement on Technical Barriers to Trade (“TBT Agreement”), on the other hand, may have more concrete application to geographical indications, and it raises the possibility for potential conflict of norms. Annex 1, paragraph 1, of the TBT Agreement defines a “technical regulation” as a:

“Document which lays down product characteristics or their related processes and production methods, including the applicable administrative provisions, with which compliance is mandatory. It may also include or deal exclusively with terminology, symbols, packaging, marking or labelling requirements as they apply to a product, process or production method.”

Annex 1, para. 2, of the TBT Agreement defines a “standard” as a:

“Document approved by a recognized body, that provides, for common and repeated use, rules, guidelines or characteristics for products or related processes and production methods, with which compliance is not mandatory. It may also include or deal exclusively with terminology, symbols, packaging, marking or labelling requirements as they apply to a product, process or production method.”

Provisions by which WTO Members have regulated entitlement to appellations of origin,<sup>409</sup> geographical indications<sup>410</sup> and certification marks<sup>411</sup> commonly set forth quality standards that producers within a territory must satisfy in order to use the identifier.

<sup>409</sup> As discussed, *supra* Section 2.1.2.3, appellations of origin typically are allowed to be affixed only on the basis of meeting quality or characteristic standards.

<sup>410</sup> For example, the EC Council Regulation on the common organization of the market for wine, discussed *infra*, Section 6.3.1, includes details on wine quality standards.

<sup>411</sup> For example, the U.S. Trademark (Lanham) Act, 15 U.S.C. §1127, defines “certification mark” as follows:

“The term ‘certification mark’ means any word, name, symbol, or device, or any combination thereof—

(1) used by a person other than its owner, or

(2) which its owner has a bona fide intention to permit a person other than the owner to use in commerce and files an application to register on the principal register established by this Act, to certify regional or other origin, material, mode of manufacture, quality, accuracy, or other characteristics of such person’s goods or services or that the work or labor on the goods or services was performed by members of a union or other organization.”

## 6. New developments

311

The TBT Agreement regulates technical regulations, standards, certification procedures and related matters in a comprehensive way. It applies in different ways to governmental and non-governmental bodies. The basic objective is avoidance of use of technical regulations and standards as disguised barriers to trade. It is possible that rules adopted in a Member governing the recognition of geographical indications could discriminate against producers from other Members in a manner inconsistent with the TBT Agreement, whether or not such rules are compatible with TRIPS. It will therefore be important to consider potentially applicable rules of the TBT Agreement in adopting, implementing and enforcing rules concerning the protection of geographical indications.

### 5.2 Other international instruments

WIPO conventions that contain provisions relevant to geographical indications are discussed in Section 2.1, above, including the Paris Convention, the Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods and the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration. Each of these agreements remains in force. Provisions of the Paris Convention relevant to geographical indications are incorporated by reference in TRIPS (see Chapter 3).

## 6. New developments

### 6.1 National laws

#### 6.2 International instruments

The WIPO Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications is pursuing an active work program on geographical indications largely directed toward identifying common legal principles that might be recommended for adoption in national law.<sup>412</sup>

### 6.3 Regional and bilateral contexts

#### 6.3.1 Regional

**6.3.1.1 European Union.** The EC has regulated extensively on the subject of geographical indications. As noted in Section 2.1, prior to conclusion of TRIPS, the EC adopted Council Regulation (EEC) No. 2081/92 of 14 July 1992 on the protection of geographical indications of origin for agricultural products and foodstuffs.

In addition, in 1999 the EC adopted a detailed Council Regulation (EC) No 1493/1999 of 17 May 1999 on the common organization of the market in wine. The 1992 Regulation (dealing with products other than wine and spirits) is essentially limited to protection of identifiers. The 1999 Regulation, in contrast, deals broadly with the wine industry, and includes the protection of geographical indications as one major element of a broader regulatory framework. Chapter II (Description, Designation, Presentation and Protection of Certain Products), along

<sup>412</sup> See, e.g., Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications, SCT 8/4, 9/4 & 9/5.

with Annexes VII and VIII, deal *inter alia* with geographical indications and labelling (see Article 47(e) and (f)). Article 48 establishes the basic standard of protection for geographical indications, providing:

“Article 48

The description and presentation of the products referred to in this Regulation, and any form of advertising for such products, must not be incorrect or likely to cause confusion or to mislead the persons to whom they are addressed, particularly as regards:

- the information provided for in Article 47. This shall apply even if the information is used in translation or with a reference to the actual provenance or with additions such as ‘kind’, ‘type’, ‘style’, ‘imitation’, ‘brand’ or the like;
- the characteristics of the products, and in particular, their nature, composition, alcoholic strength by volume, colour, origin or provenance, quality, the vine variety, vintage year or nominal volume of the containers,
- the identity and status of the natural or legal persons or group of persons who have been or are involved in the production or distribution of the product in question, in particular the bottler.”

Article 49 provides a rule against marketing non-conforming wines, stating, *inter alia*:

“Article 49

1. Products whose description or presentation does not conform to the provisions of this Regulation or the detailed rules adopted for its implementation may not be held for sale or put on the market in the Community or exported.” [provision for derogation through export is later addressed]

Article 50 provides the rule for treatment of imports:

“1. Member States shall take all necessary measures to enable interested parties to prevent, on the terms set out in Articles 23 and 24 of the Agreement on Trade-Related Aspects of Intellectual Property Rights, the use in the Community of a geographical indication attached to the products referred to in Article 1(2)(b) for products not originating in the place indicated by the geographical indication in question, even where the true origin of the goods is indicated or the geographical indication is used in translation or accompanied by expressions such as “kind”, “type”, “style”, “imitation” or the like.

2. For the purposes of this Article, “geographical indications” is taken to mean indications which identify a product as originating in the territory of a third country which is a member of the World Trade Organisation or in a region or locality within that territory, in cases where a certain quality, reputation or other given characteristic of the product may be attributed essentially to that geographical place of origin.

3. Paragraphs 1 and 2 shall apply notwithstanding other specific provisions in Community legislation laying down rules for the designation and presentation of the products covered by this Regulation.”

## 6. New developments

313

Article 50, unlike Article 12 of the 1992 Regulation, does not include a material reciprocity requirement (see above, Section 2.1). It is interesting to note, however, that wines which comply with the EC's internal regulatory scheme for geographical indications for wines are directly protected against competitors being placed on the market, whereas third country wines are subject to rules to be adopted by the member states. It is an interesting question whether EU and third country producers of wine are receiving equivalent treatment in terms of protection.

According to two recent judgements of the European Court of Justice (ECJ), not only the production of a protected good, but equally its further preparation (such as the grating of certain protected cheeses, the cutting of certain protected hams, and the packing of those products) has to take place in the indicated region, if this is expressly provided in the specification of the protected indication. The Court reasoned that those processes, if done incorrectly, could negatively affect the quality of the respective products and thus endanger their genuineness.<sup>413</sup>

**6.3.1.2 NAFTA.** Article 1721, "Definitions", of NAFTA Chapter Seventeen on Intellectual Property defines geographical indication in a manner essentially identical to that of Article 21, TRIPS Agreement, providing:

"geographical indication means any indication that identifies a good as originating in the territory of a Party, or a region or locality in that territory, where a particular quality, reputation or other characteristic of the good is essentially attributable to its geographical origin."

Article 1712 addresses the rights of interested persons with respect to geographical indications, stating *inter alia*:

"Article 1712: Geographical Indications

1. Each Party shall provide, in respect of geographical indications, the legal means for interested persons to prevent:

(a) the use of any means in the designation or presentation of a good that indicates or suggests that the good in question originates in a territory, region or locality other than the true place of origin, in a manner that misleads the public as to the geographical origin of the good;

(b) any use that constitutes an act of unfair competition within the meaning of Article 10*bis* of the Paris Convention.

[...]"

In addition, NAFTA Chapter Three on National Treatment and Market Access of Goods includes the following:

"Article 314: Distinctive Products

Each Party shall comply with Annex 314 respecting standards and labelling of the distinctive products set out therein."

<sup>413</sup> See ECJ cases C-469/00 and C-108/01 (concerning "Grana Padano" cheese and "Prosciutto di Parma"/Parma ham), and *Belgium v. Spain*, C-388-95 [2000] ECR I-3123 (concerning "Rioja").

**“ANNEX 314****Distinctive Products**

1. Mexico and Canada shall recognize Bourbon Whiskey and Tennessee Whiskey, which is a straight Bourbon Whiskey authorized to be produced only in the State of Tennessee, as distinctive products of the United States. Accordingly, Mexico and Canada shall not permit the sale of any product as Bourbon Whiskey or Tennessee Whiskey, unless it has been manufactured in the United States in accordance with the laws and regulations of the United States governing the manufacture of Bourbon Whiskey and Tennessee Whiskey.
2. The United States and Mexico shall recognize Canadian Whiskey as a distinctive product of Canada. Accordingly, the United States and Mexico shall not permit the sale of any product as Canadian Whiskey, unless it has been manufactured in Canada in accordance with the laws and regulations of Canada governing the manufacture of Canadian Whiskey for consumption in Canada.
3. The United States and Canada shall recognize Tequila and Mezcal as distinctive products of Mexico. Accordingly, the United States and Canada shall not permit the sale of any product as Tequila or Mezcal, unless it has been manufactured in Mexico in accordance with the laws and regulations of Mexico governing the manufacture of Tequila and Mezcal. This provision shall apply to Mezcal, either on the date of entry into force of this Agreement, or 90 days after the date when the official standard for this product is made obligatory by the Government of Mexico, whichever is later.”

**6.3.1.3 The Andean Group.** The Andean Group Decision 486 provides for the protection of the exclusive right to make use of officially recognized “appellations of origin”.<sup>414</sup>

**6.3.1.4 The Bangui Agreement.** This Agreement of 1977, which was revised in 1999, relates to the creation of the African Intellectual Property Organization (OAPI). It includes regional protection for different categories of intellectual property rights including appellations of origin.

**6.3.1.5 The Group of Three**<sup>415</sup>. The Agreement establishing the Group of Three lays down the right of member countries to protect “designations of origin”<sup>416</sup> and geographical indications. However, it is left to domestic legislation to determine the conditions for protection.<sup>417</sup>

<sup>414</sup> See Title XII, Chapter I of Decision 486 of 2000.

<sup>415</sup> This is a free trade agreement between Colombia, Venezuela and Mexico. It aims to achieve a free trade area by 2005. The full text of the agreement in English is available at <<http://www.sice.oas.org/Trade/G3.E/G3EC1.asp>>.

<sup>416</sup> This term is often used instead of “appellation of origin”.

<sup>417</sup> See C. Correa, *Protection of Geographical Indications in the CARICOM Countries*, September 2002 (manuscript).

## 6. New developments

315

**6.3.1.6 MERCOSUL/R.** A 1995 Protocol on Harmonization of Rules on Intellectual Property in Relation to Trademarks, Geographical Indications and Denominations of Origin contains a general obligation for parties to protect both geographical indications and appellations of origin. However, the Protocol does not determine the scope of protection.<sup>418</sup>

**6.3.1.7 The Revised Central American Convention for the Protection of Industrial Property.** This 1994 Convention requires the protection of geographical indications, using the same definition of that notion as employed by Article 22.1.<sup>419</sup>

### 6.3.2 Bilateral

The protection of geographical indications has increasingly become the subject matter of bilateral trade and investment agreements. Particularly by creating an agreed register of protected indications, countries avoid subsequent disputes as to particular terms. It is not so clear the extent to which such bilateral agreements serve the interests of consumers since they are likely to reflect the influence of producers in the negotiating process. Moreover, to the extent that such bilateral agreements establish protection for producers from one country, they may effectively foreclose producers from another country to challenge the decision to confer protection. In this way, bilateral protection agreements may undermine the MFN principle by conferring more extensive protections to some Members over others.<sup>420</sup>

There are a large number of bilateral and mini-lateral agreements that incorporate protection of geographical indications, either in a general provision or through the acceptance of an agreed-upon register. It is in particular the EC that has been very active in this respect. Recently, the EC has concluded several bilateral agreements referring to the protection of GIs, in particular with Australia, Chile, Mexico and South Africa. A more detailed discussion of these agreements would, however, go beyond the scope of this book.

## 6.4 Proposals for review

As discussed earlier, Part II, Section 3 of TRIPS places further negotiation regarding geographical indications on the work program of the TRIPS Council in two ways. First, Article 23.4 refers to a multilateral system for notification and registration for wines. Second, pursuant to Article 24.1, "Members agree to enter into negotiations aimed at increasing the protection of individual geographical indications under Article 23". In addition to further negotiations, Article 24.2 calls for continuing review of the application of provisions under this Section.

<sup>418</sup> Ibid.

<sup>419</sup> Ibid.

<sup>420</sup> As to the complex relationship between the MFN obligation and bilateral TRIPS-plus provisions on individual geographical indications, see above, Section 3.

Both Articles 23.4 and 24.1 were reflected in the Ministerial Declaration adopted in Doha on 14 November 2001,<sup>421</sup> which stated:

“18. With a view to completing the work started in the Council for Trade-Related Aspects of Intellectual Property Rights (Council for TRIPS) on the implementation of Article 23.4, we agree to negotiate the establishment of a multilateral system of notification and registration of geographical indications for wines and spirits by the Fifth Session of the Ministerial Conference. We note that issues related to the extension of the protection of geographical indications provided for in Article 23 to products other than wines and spirits will be addressed in the Council for TRIPS pursuant to paragraph 12 of this Declaration.”

Prior to and following the Doha Ministerial, Members have made extensive submissions to the TRIPS Council regarding the establishment of a register and extending protection under Article 23 to additional geographical indications.

#### 6.4.1 The Multilateral Register

The WTO Secretariat prepared a Note of 18 February 2003 (TN/IP/W/7) on *Discussions on the Establishment of a Multilateral System of Notification and Registration of Geographical Indications for Wines and Spirits: Compilation of Issues and Points*. That Note illustrates that Members disagreed on virtually all aspects of establishing a multilateral system, especially with respect to the legal effects of registration. In particular, some points of discussion included: (1) the meaning of the terms “notification” and “registration”, (2) the procedures that might be followed in using a system, including whether and how an “opposition” procedure might operate, (3) whether disputes at the registration or opposition phase might be resolved by an arbitration mechanism of some kind, (4) the effect that registration would have in terms of establishing presumptions, (5) how the costs of a new system would be borne, in the contexts of costs to governments, costs to producers, costs to consumers, and costs to an administering body, and (6) what role WIPO might play in the administration of a new system.

#### 6.4.2 The Extension Debate

Following the Doha Ministerial Declaration, negotiations on the extension of protection under Article 24.1 TRIPS are considered an “outstanding implementation issue”.<sup>422</sup> As far as the scope of those negotiations is concerned (i.e. whether or not they cover the possible extension of the Article 23 protection to products other

<sup>421</sup> WT/MIN(01)/DEC/1, 20 November 2001. Note that the Declaration expressly extended the scope of the negotiations on the multilateral register to spirits (Article 23.4 refers only to wines). Prior to this express reference to spirits, Members had disagreed whether spirits were actually covered by the negotiations. For details, see Rangnekar, p. 41.

<sup>422</sup> See paragraph 12 (b) of the Doha Ministerial Declaration of 20 November 2001, WTO document WT/MIN(01)/DEC/1, and *Tiret* 87 of the Compilation of Outstanding Implementation Issues. (This compilation was set up on the basis of paragraph 13 of the Ministerial Decision on Implementation-related Issues and Concerns, adopted at Doha on 14 November 2001, WTO document WT/MIN(01)/17. It is contained in WTO document Job(01)/152/Rev.1, which can be consulted at <<http://www.ictsd.org/ministerial/doha/docs/imp.iss.pdf>>.)

## 7. Comments, including economic and social implications

317

than wines and spirits), delegations have not yet been able to come to a compromise solution.<sup>423</sup>

### 7. Comments, including economic and social implications

The subject of geographical indications attracted only modest interest in the course of the Uruguay Round TRIPS negotiations. Since that time, interest has gradually intensified, so that today the subject is one of the most intensely argued in the Doha Development Round. The arc of interest may be explained by developments in the world economy over the past decade, in particular in the field of agriculture.

Although geographical indications do not pertain solely to agricultural products, the most common field of application and potential application is in regard to basic and processed agricultural products. The field of agriculture is one in which competitive advantage depends on factors that may favour highly mechanized large-scale producers, on one side, and low-cost labour intensive producers on the other.

For Members pursuing agricultural policies that favour substantial subsidization of smaller scale farming and food production, competitive advantage might be maintained by the differentiation of products based on “ephemeral” characteristics, such as names evocative of exotic locales. While consumers may be relatively indifferent to an alcoholic beverage identified as a “quality sparkling wine produced in a specified region”, they are not indifferent to “Champagne”, a name which can be heavily advertised and promoted. The post-Uruguay Round attention to geographical indications is occurring contemporaneously with efforts, not yet successful, to reduce or eliminate agricultural subsidies. Geographical indications might serve as a basis for competitive advantage in a newly liberalized agricultural trading environment.

For developing WTO Members the continuing negotiations on geographical indications present difficult analytic questions. At the moment, Europe stakes the greatest number of claims to geographical indications. In a static economic sense, wider acceptance of these claims is likely to result in increased IP-rent payments from developing countries to Europe, at least in the short and medium term. Yet there are some important geographical indications existing in developing Members, and over time as developing Member exporters become more sophisticated in their approaches to developed country markets, there may be increasing interest in product differentiation on the basis of locale. Predicting the economic impact on developing Members of agreeing to enhanced protection for geographical indications is rather difficult.

Much will depend on the characteristics of a given country's economy. If the country is not an agricultural producer or exporter, the possibilities for gain from providing additional protection for geographical indications is rather limited. More likely, increased costs to consumers for protected goods will be the result.

If a developing country produces agricultural products for export, it still faces a dilemma in respect to additional protection of geographical indications. If, for

<sup>423</sup> For a detailed analysis of the extension debate, see Rangnekar.



example, European wine and cheese producers are better able to protect the traditional names of products in the EU and foreign markets, one effect may be to make it more difficult for emerging developing country exporters from entering those markets. A grocery store has limited shelf space. If a substantial part is devoted to “speciality” goods protected by geographical indications, it is not so easy for other producers to find marketing space.

Some developing countries presently export products they consider not to be adequately protected in overseas markets by geographical indications. Producers in these countries might be more aggressive in taking advantage of existing legal opportunities to protect their identifiers.<sup>424</sup> In some cases, an apparent lack of protection may indicate that the right avenues for protection are not yet explored. It should be noted, however, that in countries where the protection of geographical indications is based on unfair competition concepts (rather than on the registration of protected names), there may be additional costs of litigation that will make these avenues more expensive.

Over time developing country producers may generate new geographical indications that will help them penetrate foreign markets, and protect their local markets. If developing country producers are willing and able to invest in the creation of protectable geographical names, this would be a reason for favouring additional protection.

On a static basis, it seems likely the major beneficiaries of extending protection for geographical indications will be countries already having a competitive edge in this sector. It is less certain when dynamic gains will accrue to developing country producers.<sup>425</sup>

<sup>424</sup> Japan, by way of illustration, was quite critical of Section 337 of the U.S. Trade Act of 1930 until its producers learned that effective lawyers in the United States could turn Section 337 into a strong mechanism for the protection of Japanese industry.

<sup>425</sup> For a detailed assessment of the economic impact of protecting geographical indications see D. Rangnekar, *The Socio-Economics of Geographical Indications. A Review of Empirical Evidence from Europe*, UNCTAD-ICTSD, Geneva, 2004 (also available at <<http://www.iprsonline.org/unctadictsd/projectoutputs.htm#casestudies>>).

**Annex 1** Excerpt from WIPO, SCT/8/4, April 2, 2002

Standing Committee on the Law of Trademarks, Industrial Designs  
and Geographical Indications

Eighth Session

Geneva, May 27 to 31, 2002

DOCUMENT SCT/6/3 REV. ON GEOGRAPHICAL INDICATIONS: HISTORICAL  
BACKGROUND, NATURE OF RIGHTS, EXISTING SYSTEMS FOR PROTEC-  
TION AND OBTAINING PROTECTION IN OTHER COUNTRIES

III. Attempts to Revise the Multilateral System of Protection after 1958

...

(b) Revision of the Paris Convention

72. As indicated, during the time the WIPO draft treaty on geographical indications was being prepared, the process for the revision of the Paris Convention was initiated. In the course of the discussions on the revision of the Paris Convention, a working group on conflicts between an appellation of origin and a trademark prepared a proposal to include in the Paris Convention a new article on the protection of appellations of origin and indications of source. Under the Rules of Procedure of the Diplomatic Conference on the Revision of the Paris Convention, the said proposal became a basic proposal for the revision of the Paris Convention.[29]<sup>426</sup> In the proposal, the terminology used in the WIPO draft treaty of 1975 was adopted; thus the term “geographical indication” was used. The purpose of the new article of the Paris Convention, which was provisionally numbered Article 10*quater*, was twofold. First, the article would ensure more extensive protection of appellations of origin and indications of source against their use as trademarks. Second, a special provision in favour of developing countries would be included, which would allow those countries to reserve a certain number of potential geographical indications for the future so that, even if they were not yet used as geographical indications, they could not be used as trademarks.

73. Draft Article 10*quater* established in its paragraph (1) the principle that a geographical indication which directly or indirectly suggested a country of the Paris Union or a region or locality in that country with respect to goods not originating in that country may not be used or registered as a trademark, if the use of the indication for the goods in question was of a nature as to mislead the public as to the country of origin. Draft paragraph (2) extended the application of draft paragraph (1) to geographical indications which, although literally true, falsely represented to the public that the goods originated in a particular country.

74. Draft paragraph (3) contained an additional provision in respect of geographical indications which had acquired a reputation in relation to goods originating in a country, region or locality, provided that such reputation was generally known in the country where protection was sought by persons engaged in the production of goods of the same kind or in trade in such goods. This additional provision would have established a reinforced protection for certain generally known geographical indications without the requirement of misleading use.

<sup>426</sup> [29][renumber following in order] PR/DC/4

75. Draft paragraph (4) allowed the continuation of use which had been begun in good faith. Draft paragraph (5) required that all factual circumstances must be considered when applying the preceding provisions. Draft paragraph (6) reserved the possibility of bilateral or multilateral negotiations between member countries of the Paris Union.

76. Finally, draft paragraph (7) provided that each developing country may notify the International Bureau of up to 200 geographical names denominating the country itself or a region or a locality on its territory, with the consequence that the International Bureau would notify all Paris Union member States and that these States would be obliged to prohibit the registration or use of trademarks containing or consisting of the notified names. The effect of the notification would last for 20 years. During this period, any developing country having made a notification would have the possibility of making known and protecting the geographical indication as referring to a geographical area in its territory from which certain goods originated so that subsequently the general provisions on protection of geographical indications would apply.

77. Draft Article 10*quater* was discussed in the four sessions of the Diplomatic Conference as well as in some of the subsequent consultative meetings. Although, initially, the Group of industrialized market economy countries was divided in respect of the protection of geographical indications which had acquired a certain reputation, in 1984, those countries agreed on a proposal for a new Article 10*quater*, which can be summarized as follows:<sup>427</sup>

78. Draft paragraphs (1) and (2) were similar to draft paragraphs (1) and (2) of Article 10*quater*, as contained in the basic proposals for the revision of the Paris Convention, subject to some minor changes; draft paragraph (3) dealt with the special case of any “geographical indication generally known in a country to consumers of given products or of similar products as designating the origin of such products manufactured or produced in another country of the Union,” and provided that the protection would not, as in the basic proposal, be directed against the use as a trademark but against a development of such an indication to a designation of generic character for the said product or similar products;

79. Draft paragraph (4) contained an amended version of the special provisions in favour of developing countries; in contrast to the basic proposal, the number of geographical indications which could be reserved was up to 10, and they could only be reserved if the goods for which the name was or was going to be used had been indicated; draft paragraphs (5) to (7) contained slightly amended versions of the provisions of the basic proposal in respect of acquired rights, the consideration of all factual circumstances and the possibilities of concluding bilateral and multilateral agreements. However, this proposal was never discussed in the sessions of the Diplomatic Conference itself.

80. It should also be mentioned that in 1982 the competent Main Committee of the Diplomatic Conference on the Revision of the Paris Convention adopted an amendment to Article 6*ter* of the Paris Convention.<sup>428</sup> That Article, in its text as applicable at present, contains a prohibition on using as trademarks state emblems, official marks or emblems of intergovernmental organizations. The

<sup>427</sup> PR/DC/51

<sup>428</sup> PR/DC/INF/38Rev.

proposed amendment concerned the inclusion of the official names of States in the list of emblems, etc., which may not be used as trademarks. This would be of importance for protection of geographical indications since official names of States would always have to be excluded from use as trademarks.

81. Since the Diplomatic Conference for the Revision of the Paris Convention was never concluded, the two proposals for addressing geographical indications within that framework Convention described above were never fully discussed and remained drafts.

(c) The 1990 Committee of Experts on the International  
Protection of Geographical Indications

82. In 1990, the WIPO Committee of Experts on the International Protection of Geographical Indications considered the establishment of a new treaty dealing with the international protection of geographical indications.<sup>429</sup> The main reasons for a perceived unsatisfactory situation concerning the international protection of geographical indications were the limited scope of the provisions of the Paris Convention, and the limited acceptance of the Madrid Agreement on Indications of Source and the Lisbon Agreement. It was felt that this situation could only be overcome through the establishment of a new worldwide treaty.

83. In order to make the treaty attractive to all States party to the Paris Convention, the replacement of the concepts of “appellation of origin” and “indication of source” by the notion of “geographical indication” was evoked. It was felt that this notion could cover all existing concepts of protection. Furthermore, a need was perceived to establish a new international registration system, which would be more widely acceptable than the Lisbon Agreement. To that end, a basic principle was that Contracting Parties should be free to choose the manner of protection of a geographical indication in its country of origin, rather than requiring a specific form of protection. In addition, the new treaty should provide for effective protection of geographical indications against degeneration into generic terms, and ensure effective enforcement of protection.

84. The Committee of Experts discussed the following three groups of issues pertinent to the establishment of a new treaty, namely: What should be the subject matter of protection? What should be the general principles of protection, including the conditions of protection, its contents, and the mechanisms for its enforcement and for setting disputes arising under the new Treaty? Should there be a system of international registration and, if so, what should it consist of?<sup>430</sup>

85. The Committee did not reach a common position on those questions. At the end of its first session, the Chair concluded that a number of delegations had expressed the wish for the preparation of a new treaty, whereas other had expressed reservations. Those reservations concerned, in particular, whether the new treaty should provide for a registration system or for the establishment of lists of geographical indications protected by Contracting Parties.<sup>431</sup> The work concerning the establishment of a new treaty was not continued, since the Committee of Experts on the International Protection of Geographical Indications did not meet for any further session.

<sup>429</sup> GEO/CE/I/2

<sup>430</sup> GEO/CE/I/2, paragraph 64

<sup>431</sup> GEO/CE/I/3, paragraph 122

## 16: Industrial Designs

### Article 25 Requirements for Protection

1. Members shall provide for the protection of independently created industrial designs that are new or original. Members may provide that designs are not new or original if they do not significantly differ from known designs or combinations of known design features. Members may provide that such protection shall not extend to designs dictated essentially by technical or functional considerations.
2. Each Member shall ensure that requirements for securing protection for textile designs, in particular in regard to any cost, examination or publication, do not unreasonably impair the opportunity to seek and obtain such protection. Members shall be free to meet this obligation through industrial design law or through copyright law.

### Article 26 Protection

1. The owner of a protected industrial design shall have the right to prevent third parties not having the owner's consent from making, selling or importing articles bearing or embodying a design which is a copy, or substantially a copy, of the protected design, when such acts are undertaken for commercial purposes.
2. Members may provide limited exceptions to the protection of industrial designs, provided that such exceptions do not unreasonably conflict with the normal exploitation of protected industrial designs and do not unreasonably prejudice the legitimate interests of the owner of the protected design, taking account of the legitimate interests of third parties.
3. The duration of protection available shall amount to at least 10 years.

### 1. Introduction: terminology, definition and scope

The term “design” can be applied to almost any product or work. Yet, in traditional legal terms, the concept of industrial design concentrates on the appearance of a product. Thus, a “design” connotes an element or characteristic completely separate from the object it enhances or to which it is applied. It is something often added to an object, having no relation to its overall form or function, sometimes by an artist not even remotely connected with its design. Examples of such behaviour

## 1. Introduction: terminology, definition and scope

323

are plentiful: antique coffee mills or porcelain statues made into lamps, ashtrays with varied ornamentation and animals.

This difficulty of definition explains, in part, the complexity faced by legislators in classifying design protection. The ambiguity of “design” results in overlap with other intellectual property laws, such as copyright, unfair competition, utility model, and trademark laws. For example, the European Union legislators have determined that the more modern concept of “design”, espoused by the current EU design laws, means any aspect of a product which promotes the marketability of that product. However, within the European Union, the adoption of a *sui generis* design law for the protection of designs leaves unanswered the adjacent anomaly posed by the possibility of protection under other IPRs, especially copyright law.

This problem is not alleviated by the ambivalent attitude of TRIPS to designs. TRIPS simultaneously adopts both the Paris and Berne positions and obliges Members to provide for a minimum standard of protection without specifying the nature of protection. In relation to textile designs, however, Members must protect textile designs either through design law or through copyright law.<sup>432</sup> Thus, Members have much flexibility in drafting local laws with local objectives in mind,<sup>433</sup> as long as certain elements are incorporated into the local design laws. Conversely, where Members’ interests lie in protecting the domestic design industry from domestic and international piracy, it should be noted that the two provisions on designs in the Agreement do not offer much in terms of mandatory rules. Thus, this introductory section expands on broad definitional questions and comparative legal approaches to industrial designs.

### 1.1 Definitions

This section briefly explains terms commonly employed throughout this chapter.

**Copyright:** the term copyright is used here in the wider context to include both the Anglo-US concept of copyright and the European civil law concept of author’s rights.

**Design (*dessins et modèles*):** the specific term under French and Benelux law is “*dessins et modèles*”, which roughly translates as “two-dimensional drawings or patterns and three-dimensional models” in the English language. For our purposes, we use the single term of “design”. The notion of design is used widely, and can include protectable subject matter under both copyright and design laws, as well as other supplementary protection.

***Sui generis* design law:** all references to “design law” are in relation to the *sui generis* or to the specific design law in countries which offers protection to designs either on a registration-based system or a deposit-based system.

**Utility model law (petty patents, *certificat d’utilité*, *Gebrauchsmuster*, etc.):** this usually refers to a second and additional type of patent protection for minor or

<sup>432</sup> Article 25.2 of the TRIPS Agreement.

<sup>433</sup> J.H. Reichman, *Symposium: Uruguay Round-GATT/WTO Universal Minimum Standards of Intellectual Property Protection under the TRIPS Component of the WTO Agreement*, (1995) 29 *International Lawyer* 345, at p. 375 [hereinafter Reichman, Symposium].

incremental inventions, with a shorter duration of protection, with little or no examination process, and a lowered threshold of protection. There is no universal consensus as to what constitutes a utility model law, and the lack of international harmonisation means that most countries refer to such protection under different names: petty patent, the small patent, utility certificates, innovation certificate and utility innovation. Other than designs, utility models concern the technical novelty of a product, and not its ornamental aspects.<sup>434</sup>

Work of applied art (*œuvre des arts appliqués*): this term is applied under copyright law, especially in civil law jurisdictions. Although no definition is offered under any Member's law, the term "work of applied art" is generally intended to refer to artistic works, often three-dimensional designs, which have been industrially applied to an article, which is subsequently commercially exploited. On many occasions, the term is treated as being equivalent to the notion of "industrial design", albeit in the context of copyright law. It can be analogous with the notion of "works of artistic craftsmanship", as employed under common law jurisdictions.

## 1.2 Terminology

As explained above, the nature of design lends itself as being considered as being protectable either as an industrial property or as a copyright work: this has led to the *sui generis* design approach versus copyright approach. This section lists the characteristics of protection under both these approaches.

### 1.2.1 Essential characteristics of the copyright approach

The common elements present in the copyright approach to design protection are:

- copyright is accorded automatically; thus, there are no formalities nor registration procedures;
- an anti-copying right is proffered, as opposed to an exclusive right;<sup>435</sup>
- the main criterion of protection is originality, which is easier to fulfil than that of novelty;<sup>436</sup>
- the duration of protection is much longer than under the design approach: most countries offer 50 years *post mortem auctoris*.

<sup>434</sup> See Section 3.7.4, below.

<sup>435</sup> This means that, if a third party *independently* creates a design that by chance resembles the protected design, the copyright in the protected design does not provide for the right to prevent the third party from making or selling his original design. Such right is only offered in case third parties *copy* the protected design. Thus, copyright provides no absolute protection, as opposed to exclusive rights (see under the following paragraph).

<sup>436</sup> The originality criterion is met where a piece of work is the result of independent human intellect and creativity, even if a similar product has been known to the public before. Conversely, the novelty criterion requires that no identical design must have been made available to the public prior to the date of filing of the application for registration of the design for which protection is claimed (see Article 5.1 (b) of the Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs, OJ L 3, 5.1.02, p. 1, concerning the registered Community design).

## 1. Introduction: terminology, definition and scope

325

### 1.2.2 Essential characteristics of the *sui generis* design approach

Most *sui generis* design laws in the world are fashioned upon patent law. The common denominator in this approach is that protection is accorded upon registration or deposit of the design. Furthermore, the following features regularly appear in most *sui generis* systems:

- where protection is granted upon registration, publication usually follows registration though some countries provide for secret or deferred publication;
- upon registration, most countries confer an exclusive right. The proprietor of the design right is thus given the right to sue any person who produces an identical or similar design for infringement, even if the latter design arises from an independent creation;
- the usual criterion for protection is novelty, though the standard of novelty required varies from country to country (ranging from domestic novelty to universal novelty);
- a duration of protection shorter than copyright is usually conferred (for example, the European Community Registered Design Right confers a maximum 25-year term of protection).<sup>437</sup>

### 1.2.3 Essential characteristics of the unregistered *sui generis* design approach

A third possibility is the unregistered design right system, which has been adopted by the United Kingdom, Hong Kong-China, the European Union<sup>438</sup> and New Zealand. However, since this is a new type of right, there are no international conventions which govern this area, though it is arguable that TRIPS may be applicable, as long as the criteria for protection as spelled out in Article 25.1 and the minimum term of protection in Article 26.3 (10 years) are respected.<sup>439</sup> Note the particular characteristics:

- all unregistered design right systems confer automatic protection, without the need for registration or deposit;
- the term of protection is short (3 years in the European Union,<sup>440</sup> and 10–15 years in the United Kingdom);
- the criterion of protection under the United Kingdom and Hong Kong system is an objective standard of originality, which is lower than novelty under its patent and *sui generis* design laws;

<sup>437</sup> Article 12 of the EC Design Regulation.

<sup>438</sup> Note that the EC Design Regulation provides both options, i.e. a registered and an unregistered design rights system. See below, Box 5.

<sup>439</sup> On the other hand, note that in *Azrak-Hamway International Inc. v. Meccano SA* (1997) RPC 134 (United Kingdom), the tribunal considered the UK unregistered design rights regime as a supplementary regime of protection outside the ambit of the TRIPS Agreement.

<sup>440</sup> Note that this alone would not meet the TRIPS minimum term of protection of 10 years. However, the EC equally provides a registered design right with a term of protection of 25 years from the date of filing (subject to renewal by the right owner every five years, see Article 12 of the EC Design Regulation).



- the criterion of protection under the European Union system is novelty and individual character.<sup>441</sup>

## 2. History of the provision

### 2.1 Situation pre-TRIPS

There has always been a lack of international consensus as to the proper means of protecting designs.<sup>442</sup> The Berne Convention<sup>443</sup> and the Paris Convention<sup>444</sup> have both avoided the issue of the nature of design by accepting designs as being appropriate subject matter for both copyright and industrial property protection. With respect to the Hague Agreement on the international registration of industrial designs and its Geneva Act (1999), see discussions below (Section 5.2.1).

### 2.2 Negotiating history

#### 2.2.1 Article 25 TRIPS

##### 2.2.1.1 The Anell Draft<sup>445</sup>

“SECTION 4: INDUSTRIAL DESIGNS

###### 1. Requirements for Protection

1.1 PARTIES shall provide for protection for industrial designs which are new [and] [or] original [, ornamental and non-obvious].

1.2 PARTIES [may] [shall] condition such protection on registration [or other formality].

1.3 PARTIES may provide that protection shall not extend to features required by technical reasons.

1.4 Such protection shall be provided without affecting any protection under copyright law [or other law].

###### 2. Textiles Designs

2A The acquisition of industrial design rights in textiles or clothing shall not be encumbered by any special requirements such as ex officio examination of novelty before registration, compulsory publication of the design itself or disproportionate fees for multiple users of the registration.”

<sup>441</sup> See Articles 5.1(a) and 6 of the EC Design Regulation. The novelty requirement is met if no identical design has been made available to the public before the date on which the design for which protection is claimed has first been made available to the public.

<sup>442</sup> See AIPPI Annuaire 1982/III, p. 27; 1984/I, p. 79; 1985/III, pp. 19 and 271; 1991/VIII, pp. XI–XIII. For an international perspective, L. Duncan, *Improvement of international protection of designs and models.*, (1993) AIPJ 32; U. Suthersanen, *Design Law in Europe*, Sweet & Maxwell 2000, Chapter 22 [hereinafter Suthersanen, *Design Law in Europe*]. See also the Australian Law Reform Commission on Designs, Report No. 74, 1995.

<sup>443</sup> Berne Convention for the Protection of Literary and Artistic Works of September 9, 1886, Paris (1971) version. See Article 2(7).

<sup>444</sup> Paris Convention for the Protection of Industrial Property of March 20, 1883, Stockholm version (October 2, 1979). See Articles 1(2), and 5*quinquies*.

<sup>445</sup> Document MTN.GNG/NG11/W/76, of 23 July 1990.

## 2. History of the provision

327

### 2.2.1.2 The Brussels Draft<sup>446</sup>

"1. PARTIES shall provide for the protection of industrial designs which are new [and] [or] original. PARTIES may provide that designs are not new [and] [or] original if they do not significantly differ from known designs or combinations of known design features. PARTIES may provide that such protection shall not extend to designs dictated essentially by technical or functional or technical considerations.

2. Each PARTY shall ensure that requirements for securing protection for textile designs, in particular in regard to any cost, examination or publication, do not unreasonably impair the opportunity to seek and obtain such protection. PARTIES shall be free to meet this obligation through industrial design law or through copyright."

As these draft texts illustrate, the main issue was whether the standard of protection of industrial designs should be based on the narrow United States approach or the wide European approach. The above drafts reflect the respective prior proposals made by the EC and the USA. The United States draft was narrow, and provided for protection for industrial designs which are "new, original, ornamental and non-obvious". Subsequently the term "original" was also advocated by the EC, developing countries and Japan. Delegations disagreed as to whether it should be "new or original" (EC) or "new and/or original" (Japan) or "new and original" (developing countries), with the United States still insisting on the criteria of "ornamental and non-obvious".

The main reason why the EC was eager to include the issue of designs in the TRIPS negotiations was to attempt to make the United States align its design protection with that of other developed countries, and thus expand its coverage. A major contention from the United States perspective was that design protection should not be widened to such an extent so as to protect "functional designs" such as designs for motor vehicle spare parts or "crash parts". Spare or "crash" parts manufacturers, together with consumer groups, lobbied hard to reject the EC approach.<sup>447</sup>

### 2.2.2 Article 26 TRIPS

#### 2.2.2.1 The Anell Draft

##### "3. Industrial Design Rights

3. The owner of a [protected] [registered] industrial design shall have the right to prevent third parties not having his consent from:  
manufacturing;  
[selling] [offering, putting on the market];  
using;

<sup>446</sup> Draft Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, Revision, Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods, MTN.TNC/W/35/Rev. 1, 3 Dec. 1990.

<sup>447</sup> See J. C. Ross and J. Wasserman, *Trade-Related Aspects of Intellectual Property Rights*, 1993, pp. 55–56.

or importing for commercial purposes;

[an object which is the subject matter of the industrial design right] [their industrial designs] [articles the appearance of which does not differ substantially from that of the protected design] [articles bearing a design which is a copy or substantially a copy of the protected design].

#### 4. Obligations of Industrial Design Owners

4B With respect to the obligations of an industrial design owner, the requirements for patent inventions under point 3 of Section 5 below shall apply.

#### 5. Term of Protection and Renewal

5A.1 The term of protection available shall be at least ten years.

5A.2 PARTIES shall provide for an initial term of protection of registered industrial designs of at least five years [from the date of application], with a possibility of renewal for [at least another period] [two consecutive periods] of five years.

5B The term of protection shall be provided under national legislation.

#### 6. Remedial Measures under National Legislations; Compulsory Licensing of Industrial Designs

6A.1 [PARTIES shall not issue compulsory licences for industrial designs except to remedy adjudicated violations of competition law to which the conditions set out at point 3 of Section 5 below shall apply *mutatis mutandis*.] [The compulsory licensing of an industrial design shall not be permitted.]

6A.2 The protection of industrial designs shall not be subject to any forfeiture by reason of failure to exploit.

6B (See Section 8 below)”

**2.2.2.2 The Brussels Draft.** The first two paragraphs and the fourth paragraph of the Brussels Draft were essentially identical to the final version of Article 26.1–3. In addition, the Brussels Draft contained a developing country proposal providing that:

“3B With respect to the obligations of the owner of a protected industrial design, the provisions set forth in paragraph 3 (b) of Article [29] below shall apply.”

A comparable reference to certain obligations of patent holders was already included in the Anell Draft (paragraph 4B as quoted above). Article 29.3(b) of the Brussels Draft provided:

“3. PARTIES may provide that a patent owner shall have the following obligations:

[...]

[(b) In respect of licensing contracts and contracts assigning patents, to refrain from engaging in abusive or anti-competitive practices adversely affecting the transfer of technology.]”

This draft obligation corresponded to some developing countries’ concerns that exclusive intellectual property rights might actually have a negative impact on technology transfer. The reference to abusive or anti-competitive licensing practices was however not retained in the final version of Article 29 TRIPS on the obligations of patent holders, nor under the current Article 26 concerning the rights

### 3. Possible interpretations

of industrial design owners. Instead, there is now Article 40 dealing specifically with the control of anti-competitive practices in contractual licences.<sup>448</sup>

A concession to the flexibility in design protection is reflected by the fact that the reference to “registered” industrial designs in the first paragraph of the Anell Draft was not maintained in the subsequent Brussels Draft and the final version of the Agreement. Such conditioning of protection to a registration system would have eliminated the other two available systems, i.e. the copyright system and the unregistered *sui generis* protection.

A further particularity in the Anell Draft provision is the express reference to forfeiture and compulsory licences (paragraphs 6A.1 and 6A.2, as quoted above). Such reference appears neither in the Brussels Draft nor in the final version of TRIPS. Instead, Article 26.2 TRIPS contains a general exception clause similar to the one under Article 30 concerning patent rights.<sup>449</sup>

### 3. Possible interpretations

TRIPS stipulates that Members must provide the following:

- (a) independently created new or independently created original industrial designs must be protected – Article 25.1;
- (b) proprietors of textile designs should not face obstacles arising from costs, examinations or publications in gaining protection – Article 25.2;
- (c) design proprietors should have the right to stop third parties making, selling and importing articles which incorporate a design which is identical or substantially similar to the protected design, for commercial purposes – Article 26.1;
- (d) the minimum term of protection is 10 years – Article 26.3.

#### 3.1 Concept of industrial design

Although TRIPS states that all industrial designs must be protected, there has been no attempt to provide guidelines as to the type of subject matter which constitutes industrial designs. The concept “industrial design” in Article 25.1 can refer to all types of aesthetic, useful and functional designs including subject matter protected as “works of applied art” or “works of artistic craftsmanship” under copyright law, or as utility models. Importantly, there is no guidance as to the relationship between works of applied art (specifically referred to in Article 12) and industrial designs. Moreover, “industrial design” can be taken to include indigenous and folkloric icons, symbols and designs.

#### 3.2 Nature of protection – copyright or *sui generis* design right (registered or unregistered)

To the extent they comply with the protection requirements under Article 25.1, Members can opt for either protection through copyright or *sui generis* design

<sup>448</sup> For more details on Article 40, see Chapter 29.

<sup>449</sup> See below, under Section 3 (in relation to the Annex to the Berne Convention, which applies to developing countries only).

protection, depending on the local industrial needs. Note that TRIPS follows and supplements the Berne and Paris Conventions.<sup>450</sup>

The major difference between the copyright approach on the one hand (including copyright proper and unregistered design right, see above, Section 1) and the *sui generis* registered design right on the other hand is the scope of protection: the registered design right protects against both deliberate copying and the independent development of a similar design. Under the copyright approach, protection is offered against deliberate copying only. Independent creations of similar designs may not be prevented.<sup>451</sup> Finally, the unregistered design right has characteristics similar to copyright (see above, Section 1). The main difference is the term of protection, which is usually much shorter than under copyright.<sup>452</sup>

A WTO Member is also free to adopt both ways of *sui generis* protection, as illustrated by the Japanese example: in addition to its registered design law, Japan now protects unregistered designs under an unfair competition regime, based on liability principles.<sup>453</sup>

### 3.2.1 Berne Convention on designs

Should WTO Members adopt copyright law as the preferred vehicle of protection for designs, Articles 1–21 of the Berne Convention must be complied with.<sup>454</sup> The key provision under the Berne Convention is Article 2(7), which basically leaves it to Berne Union/WTO Members to decide whether works of applied art and industrial designs should qualify for protection under copyright law, and if so, the conditions of protection. Union/WTO Members are free to expressly exclude copyright protection for works of applied art or industrial designs, and they

<sup>450</sup> One should further note that works of applied art and industrial designs are exempted from the national treatment and MFN requirements under Articles 3 and 4 of the TRIPS Agreement. See Section 3.6, below.

<sup>451</sup> See, for example, Article 19 of the EC Design Regulation on the rights conferred by the Community design: “1. A **registered** Community design shall confer on its holder the exclusive right to use it and to prevent any third party not having his consent from using it. The aforementioned use shall cover, in particular, the making, offering, putting on the market, importing, exporting or using of a product in which the design is incorporated or to which it is applied, or stocking such a product for those purposes.

2. An **unregistered** Community design shall, however, confer on its holder the right to prevent the acts referred to in paragraph 1 only if the contested use results from copying the protected design. The contested use shall not be deemed to result from copying the protected design if it results from an independent work of creation by a designer who may be reasonably thought not to be familiar with the design made available to the public by the holder. [...]” (emphasis added).

<sup>452</sup> The usual minimum term of copyright protection is the author’s life plus 50 years, Article 7(1), Berne Convention, Article 9.1, TRIPS Agreement. By contrast, the EC Design Regulation provides a term of three years for the protection of unregistered designs.

<sup>453</sup> See UNCTAD, *The TRIPS Agreement and Developing Countries*, Geneva, 1996, para. 251 [hereinafter UNCTAD 1996]. The term of protection for unregistered designs in Japan is three years (ibid.). Note that this alone would not be consistent with TRIPS Article 26.3 (term of protection of at least 10 years).

<sup>454</sup> See Article 9.1 of the TRIPS Agreement, which by way of reference incorporates these provisions of the Berne Convention. See also Chapter 7.

### 3. Possible interpretations

331

may do so by employing a variety of statutory or judicial exclusionary devices to proscribe the following: industrially manufactured articles; non-aesthetic designs; patentable subject matter; designs where the aesthetic element cannot be separated from the utilitarian aspect (see Boxes 1 and 5, below). Nevertheless, irrespective of the mode of protection, Union/WTO Members must provide some sort of protection to works of applied art and industrial designs: where there is no *sui generis* design law, the provision clearly stipulates that such works must be protected under copyright law.<sup>455</sup> This corresponds to a similar obligation under the Paris Convention.

#### 3.2.2 Paris Convention on designs

All WTO Members are subject to Articles 1–12, and Article 19 of the Paris Convention.<sup>456</sup> While Article 1(2) of the Paris Convention promulgates the notion that designs are to be categorised as industrial property, the Convention does not offer any guidance as to the nature or conditions of protection. Thus, industrial designs can either benefit from *sui generis* design protection (registered, unregistered, or both), copyright protection or some other sort of quasi-copyright or design protection.<sup>457</sup>

### 3.3 Conditions of protection (Article 25.1)

1. Members shall provide for the protection of independently created industrial designs that are new or original. Members may provide that designs are not new or original if they do not significantly differ from known designs or combinations of known design features. Members may provide that such protection shall not extend to designs dictated essentially by technical or functional considerations.

#### 3.3.1 Independently created

It is a mandatory requirement that independently created designs must be protected. The question then is whether this is to be interpreted in the sense that the design must not be copied or whether it means the design must have some minimal amount of creativity or individuality. The more persuasive view is that the TRIPS drafters clearly intended the criterion of originality to entail more of a creative contribution than mere independent creation, due to the fact that two terms are employed to convey different meanings in the same sentence.<sup>458</sup> One commentator, however, suggests that it probably is meant to exclude copied or imitated

<sup>455</sup> Articles 2(7) *in fine*, and 2(1) of the Berne Convention.

<sup>456</sup> See Article 2.1 of the TRIPS Agreement.

<sup>457</sup> See Article 5 *quinquies* of the Paris Convention; also see G.H.C. Bodenhausen, *Guide to the Application of the Paris Convention for the Protection of Industrial Property*, BIRPI, Geneva, 1968, p. 86 [hereinafter Bodenhausen].

<sup>458</sup> Reichman, Symposium, at p. 376. According to this view, the requirements of originality and of independent creation would not be one and the same criterion, but would constitute two separate requirements.

designs, in part to assuage those Members who had argued unsuccessfully for cumulative criteria of new and original.<sup>459</sup> Members may define this concept in local legislation to adopt either meaning.

**Box 1: The U.S. regime**

In the United States, protection is available under patent law for “any new, original and ornamental design for an article of manufacture.” Furthermore, in order for a design to qualify for design patent protection, it must present an aesthetically pleasing appearance that is not dictated by function, and it must satisfy the general criteria of patentability i.e. full novelty and non-obviousness (§§102, 103, 171, U.S. Patents Act).

In brief, the law does not give protection to “new designs” or “original designs”, but rather to designs which fulfil both criteria and requires candidates to fulfil a higher threshold of protection by requiring non-obviousness as well, a term more identified with the patent criterion of “inventive step”.

Note, however, that designs are also protected in U.S. law by copyright and trade dress protection (a branch of trademark protection), so that the relatively strict criteria for design patent are mainly relevant to this strongest of the several forms of protection.

**3.3.2 New or original**

Members are left with the option of either implementing the criterion of novelty or originality. The history of the final formulation of “new or original” says much for the nebulous nature of “industrial design law”.<sup>460</sup> Can Members go further and adopt both criteria of protection, i.e. that a design must be new *and* original? This is highly unlikely due to the history of the provision, and the express usage of “or”, rather than “and/or”, as proposed by some delegations. Are Members allowed to adopt more criteria of protection? This is apparently the case under the current U.S. design patent regime (see Box 1) and arguably also under the European Community Design Right<sup>461</sup> (see Box 2).

<sup>459</sup> See Gervais, para. 2.125. According to this author, those Members were concerned about the possibility that a design which was not new could still be protected on the basis of its originality. In order to prevent such possibility, those Members would have pushed, towards the end of the negotiations, for the additional criterion that the designs must have been created independently. Thus, the criterion of independent creation would not be apart from the originality criterion, but would qualify it.

<sup>460</sup> The concept of “new” stemmed from the compromise reached between the United States and Switzerland (new) and the EC, Japan and a group of developing countries (novel); subsequently the term “original” was advocated by the EC, the United States, developing countries and Japan. A slight tussle ensued as to whether it should be “new or original” (EC) or “new and/or original” (Japan) or “new and original” (developing countries, with the United States adding the criteria of “ornamental and non-obvious”).

<sup>461</sup> Council Regulation EC No 6/2002 of 12 December 2001 on Community designs, OJ L 3, 5.1.02, p. 1.

### 3. Possible interpretations

333

**Box 2: The EC design regime**

The EC design regime accords protection to designs which fulfil the twin criteria of novelty and individual character. The latter could arguably constitute an additional requirement to the ones listed under Article 25.1 of TRIPS. However, the concept of "individual character" under the EC design laws may also be a reformulation of the "independently created" criterion under Article 25.1 TRIPS. A design shall be considered to have individual character if the overall impression it produces on the informed user differs from the overall impression produced on such a user by any design which has been made available to the public before the date of filing of the application for registration or, if priority is claimed, the date of priority. In assessing individual character, the degree of freedom of the designer in developing the design shall be taken into consideration.<sup>462</sup>

Members are offered the opportunity of anchoring their chosen criterion of protection (i.e. originality or novelty) to a prior art base constituting "known designs or combinations of known design features" (Article 25.1, second sentence). This may allow a Member to opt for an originality requirement which adopts an objective standard, rather than a copyright law standard (as under the United Kingdom unregistered design right system – see Box 3).<sup>463</sup>

**Box 3: The UK unregistered design regime**

The United Kingdom unregistered design right resembles a hybrid quasi-copyright. The right fulfils a perceived need for an automatic, short-term, quasi-copyright protection regime which would be available to both functional and non-functional three-dimensional designs. The design must be original, in the sense that it is not commonplace in the design field in question, and it must not fall foul of the exclusion provisions which bar protection to certain types of features, mainly in relation to design features of spare parts (see ss. 213 *et seq.*, U.K. Copyright, Designs and Patents Act 1988).<sup>464</sup> Hong Kong-China has also adopted the British unregistered design right system.

<sup>462</sup> Articles 3–5, Directive 98/71/EC on the legal protection of designs, OJ L 289, 28.10.98, p. 28; Articles 4–6, Council Regulation EC No 6/2002 of 12 December 2001 on Community designs, OJ L 3, 5.1.02, p. 1.

<sup>463</sup> Under copyright law, the standard of originality is not an objective, but a subjective one: any product which is the result of *independent* human intellect and creativity is offered protection, even if it resembles another product. Thus, the reason for the grant of protection is the independence of the creation, rather than the difference of the resulting product from other products. Contrary to this subjective approach, the second sentence of Article 25.1 TRIPS (as quoted above) enables Members to base design protection on the difference between the resulting product and other products. Thus, an independently created design which does not significantly differ from a known design may be denied protection.

<sup>464</sup> For an account of the British system, see Suthersanen, *Design Law in Europe*, chapter 16.



The British unregistered design right was partly based on the EC Directive 87/54/EEC on topography protection<sup>465</sup> which, in turn, was based on the United States Semiconductor Chip Protection Act 1984.

Members are also free to adopt local/regional/universal novelty, and to implement grace periods (see Box 4).

**Box 4: Grace period**

There is provision for a grace period for exhibition purposes under Article 11 of the Paris Convention. Union Members must grant temporary protection to patentable inventions, utility models and industrial designs in respect of goods exhibited at official or officially recognized international exhibitions held in the territory of any of them.<sup>466</sup> The grace period provided must not extend beyond the priority period: 12 months for utility models, and 6 months for industrial designs.

Within the European Union, both national and Community design laws offer a 12-month grace period in respect of registered designs.<sup>467</sup> During this period, the design proprietor will be able to claim the Community *unregistered* design right.

**3.3.3 Registration**

Registration or deposit is not a requirement of protection.<sup>468</sup> Therefore, Members have the option of adopting one or all of the following three alternative regimes:

- a) copyright;
- b) registered *sui generis* design right;
- c) unregistered *sui generis* design right.

<sup>465</sup> Council Directive 87/54/EEC on the legal protection of topographies of semiconductor products, OJ L 24, 24.1.87, p. 36.

<sup>466</sup> The reason for this provision is that under the Paris Convention, the protection of the covered industrial property rights in one member State is independent of such protection in another member State (i.e. the principle of territoriality). Thus, an invention which is patented in country A, but not yet in countries B and C, could arguably lose its novelty in countries B and C when displayed to the public at an international exhibition. Subsequent patent applications in countries B and C would then have to be refused. Such approach would obviously prevent holders of a national patent to make available to international exhibitions their inventions. For this reason, Article 11 of the Paris Convention obligates member States to grant protection to exhibited goods for a limited period of time. Note that such protection may be provided through various means: by stipulating in domestic law that such exhibition will not destroy the novelty of the invention, or by granting to the right holder a temporary right of priority for subsequent applications in other States of the Paris Union (see Bodenhausen, p. 150, sub-paragraph (c)).

<sup>467</sup> Article 6(2), Directive 98/71/EC on the legal protection of designs, OJ L 289, 28.10.98, p. 28; Article 12, Council Regulation EC No 6/2002 of 12 December 2001 on Community designs, OJ L 3, 5.1.02, p. 1.

<sup>468</sup> By contrast, the Anell Draft provided that Members had the option of providing protection either upon registration or on other formalities. See above, Section 2.2.

### 3. Possible interpretations

Option c) offers an anti-copying regime, and examples of it are the United Kingdom unregistered design right (see Box 3) and the European Community Unregistered Design Right (see Box 5).<sup>469</sup> The United Kingdom further offers the example of a country which has all three alternative types of protection, i.e. copyright, registered design right and unregistered design right.

#### Box 5: Community design right

The European Community Design Regulation offers a Community Design Right (CDR). The CDR offers the design owner a two-tier system of rights. The proprietor will be entitled to quasi-copyright protection under the Unregistered CDR automatically upon the first marketing of his/her design; in the alternative, the design holder can opt for stronger, exclusive protection under the Registered CDR. The criteria of protection for both the unregistered and registered CDR will be the same: novelty and individual character. Furthermore, no protection will be accorded to certain types of design features including features solely dictated by its technical function.<sup>470</sup>

### 3.4 Textile designs (Article 25.2)

2. Each Member shall ensure that requirements for securing protection for textile designs, in particular in regard to any cost, examination or publication, do not unreasonably impair the opportunity to seek and obtain such protection. Members shall be free to meet this obligation through industrial design law or through copyright law.

TRIPS added Article 25.2 in response for rapid and cheap protection given by a non-registration regime, but only in the field of the textiles industry. The provision calls for a protection regime that does not “unreasonably impair the opportunity to seek and obtain such protection”, and this may be hard to comply with unless a non-examination, non-registration/deposit system is adopted; the option available to Members appears to be to either allow copyright protection for textiles or to introduce a quasi-copyright, short term regime such as the unregistered design right (see Boxes 3 and 5).<sup>471</sup>

A final issue is whether textile designs would be classified as works of applied art or industrial designs under Article 2(7), Berne Convention, in which case Members are free to provide for a *sui generis* design protection or for copyright protection.<sup>472</sup>

<sup>469</sup> For more details on the different forms of protection available under Articles 25, 26, TRIPS Agreement, see above, Section 3.2 of this chapter.

<sup>470</sup> See Articles 4–12, Council Regulation EC No 6/2002 of 12 December 2001 on Community designs, OJ L 3, 5.1.02, p. 1.

<sup>471</sup> In this respect, see also Article 62.2, TRIPS Agreement, calling for Members to ensure that procedures for grant or registration permit the granting or registration of the right within a reasonable period of time.

<sup>472</sup> See above, Section 3.2.1.

### 3.5 Scope of protection (Article 26.1)

1. The owner of a protected industrial design shall have the right to prevent third parties not having the owner's consent from making, selling or importing articles bearing or embodying a design which is a copy, or substantially a copy, of the protected design, when such acts are undertaken for commercial purposes.

All WTO Members' legislation must ensure that the owner of a protected industrial design has the minimum right to prevent unauthorised third parties from making, selling or importing articles bearing or embodying the protected design, for commercial purposes. The provision should not affect a Member's right to award either a registration-based monopoly right or a mere anti-copying right. Nevertheless, irrespective of the nature of the right, the scope of the right must extend to designs which are either identical or are substantial copies of the protected design.

As with all rights to prevent importation under TRIPS, the right under Article 26.1 is subject to Article 6 that permits each WTO Member to adopt its own regime for exhaustion (see Chapter 5). It is therefore permissible to adopt a regime of international exhaustion for industrial design rights.

### 3.6 National treatment and reciprocity of protection (Article 26.1, Article 3)

It should be noted that the rules on national treatment and MFN treatment, under Articles 3 and 4, are subject to the exceptions under the Berne Convention. Works of applied art and industrial designs occupy a privileged position in being exempted from both these basic TRIPS provisions,<sup>473</sup> as national treatment in relation to these types of works is qualified under the Berne Convention. Works of applied art or designs are entitled to protection in other Members of the Union only to the extent of the nature of protection they are granted in the country of origin – if no such special protection is granted in that country, such works shall be protected as artistic works.<sup>474</sup>

Therefore, if a design is protected in State A solely under its *sui generis* design law, then such a work will only be granted similar *sui generis* protection in another Union/WTO Member State (State B), and need not be entitled to full copyright protection; the exception being that if State B does not offer special *sui generis* protection for works of applied art, such works will be entitled to full copyright protection. The wording of the provision only covers situations where a work in its country of origin is *solely* protected under design legislation; if other forms of protection are available in that country, the national treatment and MFN treatment obligations do apply. Thus, where a work of applied art in State A is protectable under both copyright and design laws, the exception under Article 2(7) of the Berne Convention does not apply. State B has no option but to offer to the work in question the same protection it offers to works of domestic right holders (be it copyright or design law or both).

<sup>473</sup> Articles 3.1 and 4(b) of the TRIPS Agreement. See discussion on these provisions in Chapter 4.

<sup>474</sup> Article 2(7) of the Berne Convention.

### 3. Possible interpretations

337

The applicability of the national treatment obligation in this context is related to the issue of cumulative protection countries versus partial protection countries. Consider the situation where the country of origin, for example, the USA, restricts copyright protection of works of applied art to such works which fulfil the separability criterion (see Box 6); can another Union/WTO state, for example, France, apply a similar restrictive approach, despite its liberal attitude to works of applied art? This would only seem possible if the other country (France, in the example) did not have to respect the national treatment obligation. This again would only be the case if the second sentence of Article 2(7) of the Berne Convention applied (i.e. if the country of origin of the works in question would provide protection solely under design law.). But since in the given example, the country of origin does provide copyright protection, Article 2(7) does not apply. Consequently, France in the above example would have to respect the national treatment obligation and thus afford copyright protection to such works in accordance with its own jurisprudence.<sup>475</sup>

Thus, as Reichman notes,

“exporters in both developed and developing countries should note that compliance with the requirements of domestic design laws provides no guarantees against infringements of foreign rights based on different criteria. For example, designs legally created or copied under current U.S. law, if exported, could sometimes violate the United Kingdom’s unregistered design right, which protects both functional and appearance designs, as well as, say, the French copyright law, or the new Japanese unfair competition law.”<sup>476</sup>

#### 3.7 Functional designs – exceptions and limitations (Articles 25.1 and 26.2)

##### Article 25.1

1. Members shall provide for the protection of independently created industrial designs that are new or original. Members may provide that designs are not new or original if they do not significantly differ from known designs or combinations of known design features. Members may provide that such protection shall not extend to designs dictated essentially by technical or functional considerations.

##### Article 26.2

2. Members may provide limited exceptions to the protection of industrial designs, provided that such exceptions do not unreasonably conflict with the normal exploitation of protected industrial designs and do not unreasonably prejudice the legitimate interests of the owner of the protected design, taking account of the legitimate interests of third parties.

<sup>475</sup> See also Ricketson, para. 52.

<sup>476</sup> Reichman, Symposium, p. 377.

There are no compulsory provisions as to excluded subject matter or limitations/exceptions to protection, though Articles 25.1 and 26.2 offer Members an optional mandate. The difference between the two provisions is the following: designs under Article 25.1 do not qualify for design protection in the first place, whereas under Article 26.2, works would normally be protectable, but are excluded for some exceptional reasons (as will be analysed below). Article 25.1 contains two different sets of exclusions: under the second sentence, and on certain conditions, Members may exclude the novelty or originality of designs, thus denying to such designs the basic prerequisites for protection.<sup>477</sup> Under the third sentence, the reason for excluding designs from protection is the works' essentially technical or functional character (as will be analysed in the following Subsection).

### 3.7.1 Functional exclusions, Article 25.1, third sentence TRIPS

The third sentence of Article 25.1 allows Members, if they wish, to exclude designs dictated essentially by technical or functional considerations: since the reference to functional designs is an optional requirement, Members may also omit this provision from their domestic laws. In other words, Members can also choose the alternative of granting *sui generis* protection to both aesthetic and functional designs (for example, the United Kingdom unregistered design right system protects certain types of functional designs – see Box 3).

Since these exclusions/limitations are optional, it is up to the Member to limit the protection of designs according to the conditions and demands of its local industry. Thus, the European Union's design laws have adopted a specific "inter-connections" exclusion clause, whilst the British/Hong Kong copyright laws limit copyright protection of functional design drawings and works of applied art.<sup>478</sup> Another example of a Member limiting its copyright protection of industrial designs is the U.S. copyright law (Box 6).

### 3.7.2 Article 26.2 TRIPS, analogue to Article 30

While it is not compulsory for Members to introduce exceptions to protection, Article 26.2, TRIPS places an obligation on those Members which do introduce exceptions or limitations under their domestic law; such Members must ensure that the exceptions do not conflict with the following rules:

- the exceptions have to be limited;
- the exceptions should not unreasonably conflict with the normal exploitation of protected industrial designs;
- the exceptions should not unreasonably prejudice the legitimate interests of the owners of protected industrial designs, taking into account the legitimate interests of third parties (i.e. there must be a balance between the rights of owners, on the one hand, and the rights of consumers/users/competitors, on the other hand).

<sup>477</sup> See above, concerning the conditions of protection under Article 25.1 (Section 3.3).

<sup>478</sup> See ss. 51 and 52, United Kingdom Copyright, Designs and Patents Act 1988.

### 3. Possible interpretations

339

Article 26.2 is essentially identical to Article 30 regarding exceptions to the rights of patent holders.<sup>479</sup> Article 13, on limitations and exceptions to copyright, which derives from Article 9(2) of the Berne Convention, uses different and more restrictive language (referring to “certain special cases” and eliminating references to “unreasonable”-ness and “interests of third parties”). In line with the Appellate Body’s frequent admonition that the precise words of TRIPS were selected for a reason, it is apparent that the negotiators intended exceptions to industrial design protection to be regulated under the more flexible standards of Article 26.2 (and its analogue Article 30).

The panel in the *Canada – Generic Pharmaceuticals* case has interpreted the language of Article 30, and that decision is reviewed in Chapter 23 below. Design protection might act as an unreasonable impediment to the achievement of economic and social objectives in developing Members, for example, if used to prevent the interface of mechanical or electrical equipment of different manufacturers. It is therefore foreseeable that developing Members may wish to provide legal mechanisms for allowing the use of protected designs in such cases.

Moreover, since Article 26.2 is the only provision dealing with exceptions to industrial designs, the issuance of compulsory licenses for such designs would be encompassed by its rules. Where TRIPS intends to preclude compulsory licensing of an IPR, such a restriction (see, e.g., Article 21 on trademarks) is generally stated. Since compulsory licensing of copyrights is a fairly common practice and permitted under Article 13 in conjunction with Article 9(2), Berne, it would be anomalous if such licensing were not permitted under Article 26.2. Also, Article 5.B, Paris Convention, prevents the forfeiture of industrial designs based on non-working or importation, but does not preclude compulsory licensing.

#### **Box 6: Designs under U.S. copyright law**

Designs can be protected under the United States copyright law as “pictorial, graphic and sculptural works”. These are defined as follows:

“Pictorial, graphic, and sculptural works include two-dimensional and three-dimensional works of fine, graphic, and applied art, photographs, prints and art reproductions, maps, globes, charts, diagrams, models, and technical drawings, including architectural plans. Such works shall include works of artistic craftsmanship insofar as their form but not their mechanical or utilitarian aspects are concerned; the design of a useful article, as defined in this section, shall be considered a pictorial, graphic, or sculptural work only if, and only to the extent that, such design incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.” (s. 101, U.S. Copyright Act)

<sup>479</sup> Article 30 provides: “Members may provide limited exceptions to the exclusive rights conferred by a patent, provided that such exceptions do not unreasonably conflict with a normal exploitation of the patent and do not unreasonably prejudice the legitimate interests of the patent owner, taking account of the legitimate interests of third parties.” See Chapter 23.

The “separability” criterion applies only to a “useful article”, which is:

“an article having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information.” (s. 101, U.S. Copyright Act)

#### 3.7.4 Utility models

Utility models (“petty patents”) differ from industrial designs in that the latter typically concern *ornamental aspects* of an industrial article, whereas utility models are granted for the *technical novelty* of such article.<sup>480</sup> Therefore, it has been observed that utility models and industrial designs rarely concern the same subject.<sup>481</sup> However, in the case of *functional* designs, such overlapping is possible, considering that those designs are dictated essentially by technical or functional considerations (Article 25.1). Thus, an increasing number of jurisdictions have chosen to provide for the protection of functional designs under a utility model regime as an alternative to an industrial designs system. TRIPS does not discuss utility models.<sup>482</sup> The relationship between industrial designs and utility models is accentuated by the Paris Convention, recognising the interdependency of priority periods between utility models and industrial designs. A period of priority can be secured for an application for an industrial design based on the filing date of a utility model.<sup>483</sup>

Utility model protection is said to be of great importance to developing countries. A main goal of the industrial property system is the promotion of innovation within industrial society; it is thought that a cheap and rapid utility model regime would improve the legal environment for small and medium sized companies, especially those which are engaged in an ongoing process of innovation and adaptation. This is more so in relation to certain types of product sectors which are

<sup>480</sup> Bodenhausen, p. 52. This does not mean that the outward appearance of an industrial article cannot be protected by a utility model: if besides the *ornamental* function, the outward appearance fulfils a *technical* function, it is eligible for utility model protection.

<sup>481</sup> Ibid.

<sup>482</sup> While there is no specific reference to utility model protection under the TRIPS Agreement, it is arguable that by reference in Article 2.1 TRIPS, the relevant provisions of the Paris Convention provisions (including Article 1(2) of the Convention) are extended to all WTO Members. Article 1(2) of the Paris Convention provides in relevant part: “The protection of industrial property has as its object patents, utility models, [ . . . ]”

<sup>483</sup> See Article 4E(1) of the Paris Convention. This means that once an application for a utility model has been filed, subsequent applications by the same person in other countries benefit from a priority right even if they do not concern a utility model, but an industrial design. However, the period of priority accorded to utility models amounts to twelve months, whereas the period for industrial designs is only six months, see Article 4C(1) of the Convention. Article 4E(1) clarifies that the priority period for applications for industrial designs that are based on a prior application for a utility model shall not benefit from the longer period for utility models. This provision applies only to the case in which the first application is filed with respect to a utility model and subsequently priority is claimed on the basis of that application for a second application concerning an industrial design. It has been observed, however, that the reverse case may be assumed to be covered as well (Bodenhausen, p. 52). In that case, a first application for an industrial design would determine the date as of which the priority period for any subsequent applications for a utility model would commence. Those later applications would then benefit from the longer term accorded to utility models (i.e. one year instead of six months as for industrial designs).

### 3. Possible interpretations

341

concerned not so much with revolutionary technological breakthroughs, but more so with incremental or improvement innovation.<sup>484</sup> For example, one cited reason for the need for a European utility model law is the need for a rapid and cheap protective regime for such minor innovations in the following industries: toy manufacturing, clock and watchmaking, optics, microtechnology and micromechanics.<sup>485</sup>

#### 3.8 Term of protection (Article 26.3)

3. The duration of protection available shall amount to at least 10 years.

The minimum term of protection is ten years. TRIPS does not specify whether this term is to be computed from the date of filing (if any) or the date of issue. This provision is taken to refer only to situations where *sui generis* design law is the *only* means of protection. If a WTO Member opts for copyright protection of industrial designs, the duration of protection must be governed by Article 7 of the Berne Convention.<sup>486</sup> The general rule for copyright is that the duration of protection must be 50 years *post mortem auctoris*. The exceptions to this general rule include works of applied art – Members remain free to provide for a shorter duration of protection, as long as a minimum term of 25 years from the making of the work is granted.<sup>487</sup>

There are several issues which arise.

First, will all intellectual property regimes which provide for protection of designs have to confer a minimum duration of 10 years? For example, should the proposed 3-year European Unregistered Community Design Right be amended to 10 years?<sup>488</sup> It is submitted that Article 26.3 merely requires Members to offer at least one regime of protection which offers a minimum ten-year period of protection, whether that regime is copyright, registered design right or unregistered design right.<sup>489</sup> Secondly, is Article 26.3 in conflict with the 25-year minimum term secured for works of applied art under Article 7(4) of the Berne Convention? The

<sup>484</sup> U. Suthersanen, *Incremental Inventions in Europe: A Legal and Economic Appraisal of Second Tier Patents*, Journal of Business Law 2001, 319; U. Suthersanen, *The Economic Efficacy Of Utility Model Protection: A Comparative Review Of European Union, Asia-Pacific And U.S. Policy And Practice*, in: *Industrial Property Rights in the Bio-tech Age – Challenges for Asia* (eds. Christopher Heath and A. Kamperman Sanders), Kluwer International, 2002 (discussing the different questions policy makers need to ask prior to implementing utility model protection).

<sup>485</sup> EC Commission Green Paper on the Protection of Utility Models in the Single Market, COM(95) 370 final, July 19, 1995, at p. 16.

<sup>486</sup> Article 12 of the TRIPS Agreement does not affect works of applied art, which we must assume refer to industrial designs, as well.

<sup>487</sup> Article 7(4) of the Berne Convention. For the history of this provision, see Ricketson, paras. 6.33-6.43.

<sup>488</sup> Article 12, Council Regulation EC No 6/2002 of 12 December 2001 on Community designs, OJ L 3, 5.1.02, p. 1.

<sup>489</sup> See *Azrak-Hamway International Inc. v. Meccano SA* (1997) RPC 134 (United Kingdom), where it was argued that the provision relating to licenses of right under the United Kingdom unregistered design right was contrary to the minimum requirements under the TRIPS Agreement; the tribunal,



argument that the TRIPS provision only urges Members to introduce at least one 10-year protective regime falters in light of the fact that Members may choose to protect industrial designs under a copyright-only regime or the fact that there is a strong suggestion that textile designs, at least, should benefit from copyright protection. In light of this, it is submitted that where a Member opts to protect designs under an industrial property regime such as a *sui generis* design law, the minimum term of protection must be 10 years, if this is the only means of protection; however, where designs are only protected under copyright law, the minimum term of protection must be 25 years, in accordance with the Berne Convention. In cases where both copyright and *sui generis* design law protection are offered, the term applying to the copyright protection has to be 25 years. The term applying at the same time to the *sui generis* protection can be less than 10 years: the minimum term of 10 years as required under Article 26.3 is already more than respected by the 25-year copyright term.

#### 4. WTO jurisprudence

To date, there has been no panel or Appellate Body decision concerning Article 25 or 26.

### 5. Relationship with other international instruments

#### 5.1 WTO Agreements

#### 5.2 Other international instruments

##### 5.2.1 The Geneva Act (1999) of the Hague Agreement Concerning the International Registration of Industrial Designs<sup>490</sup>

If the registration approach is adopted, the registered design right is limited to the country in which protection is granted. If multi-regional protection is required, multiple filing is necessary. Under the WIPO-administered Hague Agreement Concerning the International Deposit of Industrial Designs, a procedure for an international registration is offered.

The Hague Agreement was concluded in 1925, and has been subject to two revisions: 1934 (London) and 1960 (The Hague). The objective of the Agreement is to facilitate the application for design protection in several countries by providing a mechanism for a centralised international deposit system, similar to the international registration of trademarks under the Madrid Agreement. A design proprietor can, with one application filed with WIPO, obtain protection in one or more or all the States adhering to the Agreement. The applicant is not required to obtain national registration in the country of origin. The protection accorded is strictly national and is subject to national laws and conditions in the countries

however, held that the United Kingdom unregistered design right was outside the ambit of the TRIPS Agreement, being a supplementary regime of protection.

<sup>490</sup> The Hague Agreement Concerning the International Deposit of Industrial Designs of November 6, 1925, as revised by the Hague Act of November 28, 1960; Regulations Under the Hague Agreement Concerning the International Deposit of Industrial Designs, January 1, 1998.

## 6. New developments

343

designated in the application. Individual countries designated in the application may refuse protection if requirements for protection of national law are not fulfilled.

The main problem arises from the fact that many major countries are not parties to the Hague Agreement. Only 29 countries are signatory to this treaty. Noticeably absent from the membership list are all the South American countries, Japan, Canada, the United States and most Asian countries.<sup>491</sup> A second related problem with the Hague Agreement is the fact that contracting states are either parties to the 1934 Act or the 1960 Act, and different and difficult procedural rules are applicable.

The Geneva Act 1999 has a twofold objective, namely: on the one hand, to extend the Hague system to new members by allowing or facilitating the accession of states whose legislation provides for a novelty examination;<sup>492</sup> on the other hand, to preserve the fundamental simplicity of the Hague system and make it more attractive to applicants. The Geneva Act also provides for the establishment of a link between the international registration system and regional systems, such as the European Community Design Office or the African Intellectual Property Organization (OAPI), by providing that intergovernmental organizations may become party to the Act.<sup>493</sup>

## 6. New developments

### 6.1 National laws<sup>494</sup>

#### 6.1.1 Ownership of copyright and design protection

Neither TRIPS nor the Hague Agreement contains any provisions on ownership and whether local laws may make provision for authorship and/or ownership to vest in natural or legal persons. Once again, the vagueness of the provisions can work for the benefit of developing countries, should they wish to extend design protection to traditional/indigenous works of arts or local innovations. For example, under the British unregistered design right, a person can qualify for protection either as the author, employer, commissioner or the first marketer of the design work.<sup>495</sup>

#### 6.1.2 Artistic designs and moral rights, including *droit de suite* (resale right)

The Berne Convention provides for certain moral rights: the right to claim authorship of the work and the right to object to any mutilation or deformation or other

<sup>491</sup> Among Asian countries, only the Democratic People's Republic of Korea (North Korea), Indonesia and Mongolia have signed the Agreement.

<sup>492</sup> This is so because some domestic laws subject design protection to the patentability criteria of novelty and inventive step. For an example, see above, Box 1.

<sup>493</sup> To date, however, no intergovernmental organization has actually adhered to the Geneva Act. For a list of the Contracting Parties see <<http://www.wipo.org/treaties/documents/english/pdf/h-hague.pdf>>.

<sup>494</sup> For the USA, the United Kingdom and the European Union, see Boxes 1 to 6, above. For Japan, see Section 3.2, above.

<sup>495</sup> Ss. 215, 217 *et seq.*, Copyright, Designs and Patents Act 1988 (U.K.).

modification of, or other derogatory action in relation to, the work which would be prejudicial to the author's honour or reputation.<sup>496</sup> Such rights may be of importance to certain Members which wish to see a cessation of works of traditional or indigenous arts being exported and exploited in other countries. Of course, one problem has always been ownership issues; however, international agreements and treaties are traditionally reluctant to offer rules on ownership of intellectual property rights.<sup>497</sup> Some national laws have been more explicit on this issue (see Boxes 7 and 8 below).

**Box 7: The French *droit d'auteur* regime**

Under the French *droit d'auteur*, there is a clear exception to the rule that an author can only be a natural person: where a work qualifies as a "collective work", authorship can vest in both natural and legal persons.<sup>498</sup> The category of "collective work" can arise in respect of all types of created works, including works of applied art and industrial designs. Furthermore, it has been held that technically, there is nothing in law which prevents a legal entity from claiming moral rights in a work created by a legal entity as in the case of collective works. Where a legal person is the promoter and owner of copyright in the collective work, it has the right to make modifications to the work as long as such changes are for the purpose of harmonising the work as a whole and are subject to the moral rights of individual authors who contribute to the collective work. Nonetheless, the legal owner's rights can extend further and in one decision, it was held that the publication of a design made by designers at a Citroën firm was in violation of the firm's moral right of disclosure.<sup>499</sup>

Moreover, certain types of works are entitled to a *droit de suite* or resale royalty right: the right is reserved for original works of art and original manuscripts of writers and composers.<sup>500</sup> The pre-condition of "original" refers to the uniqueness of the work, as opposed to the copyright sense of originality or creativity. The Berne Convention stipulates a proviso in respect of this right: an author can claim the *droit de suite* or resale royalty right in a Berne Union country only if the

<sup>496</sup> Article 6bis of the Berne Convention.

<sup>497</sup> As to the TRIPS Agreement, a U.S. proposal during the TRIPS negotiations to *expressly* recognize corporate authorship was unsuccessful. Instead, Article 12 TRIPS provides for a special term of copyright protection in cases where the term of protection is calculated on a basis other than the life of a natural person. This includes works of corporate authorship and thus constitutes an *implicit* recognition of the concept of a non-natural author. See Chapter 11.

<sup>498</sup> Articles L. 113-2, 113-5, French Intellectual Property Code 1992. See Suthersanen, *Design Law in Europe*, pp. 147–148. Another example of an express recognition of (corporate) ownership are sound recordings and films under U.S. law, see Chapter 11.

<sup>499</sup> Suthersanen, *ibid*, p. 157.

<sup>500</sup> See Article 14ter (1) of the Berne Convention: "The author, or after his death the persons or institutions authorized by national legislation, shall, with respect to original works of art and original manuscripts of writers and composers, enjoy the inalienable right to an interest in any sale of the work subsequent to the first transfer by the author of the work."

## 6. New developments

345

legislation in the country to which the author belongs so permits, and only to the extent permitted by the country where this protection is claimed.<sup>501</sup>

Developing countries producing highly original indigenous or folkloric art may wish to argue as to the inclusion of the *droit de suite*. Currently, several countries, including Bolivia, Chile, Kenya, Indonesia and Panama protect folkloric work under national copyright laws.<sup>502</sup> The provision is probably of more utility to countries which experience only few imports of foreign art or design works, but instead increasing exports of local or domestic art works or designs due to foreign interest in indigenous or folkloric art. It should be noted that many countries do deny the *droit de suite* to works of applied art or three-dimensional designs meant for industrial use.

### 6.2 International instruments

#### 6.3 Regional and bilateral contexts

For the EC Directive of 2001 on the resale right for the benefit of the author of an original work of art, see Box 8.

#### **Box 8: The EC resale right directive**

Article 1(1) of the EC Resale Right Directive provides:<sup>503</sup>

“Member States shall provide, for the benefit of the author of an original work of art, a resale right, to be defined as an inalienable right, which cannot be waived, even in advance, to receive a royalty based on the sale price obtained for any resale of the work, subsequent to the first transfer of the work by the author.”

Article 2, *ibid*, provides:

“(1) For the purposes of this Directive, ‘original work of art’ means works of graphic or plastic art such as pictures, collages, paintings, drawings, engravings, prints, lithographs, sculptures, tapestries, ceramics, glassware and photographs, provided they are made by the artist himself or are copies considered to be original works of art.

(2) Copies of works of art covered by this Directive, which have been made in limited numbers by the artist himself or under his authority, shall be considered to be original works of art for the purposes of this Directive. Such copies will normally have been numbered, signed or otherwise duly authorised by the artist.”

<sup>501</sup> See Article 14*ter* (2) of the Berne Convention: “The protection provided by the preceding paragraph may be claimed in a country of the Union only if legislation in the country to which the author belongs so permits, and to the extent permitted by the country where this protection is claimed.”

<sup>502</sup> See UNESCO/WIPO *Model Provisions for National Laws for Protection of Expressions of Folklore Against Illicit Exploitation and other Prejudicial Actions*, 1982.

<sup>503</sup> EC Directive 2001/84/EC of 27 September 2001 on the resale right for the benefit of the author of an original work of art, OJ L 272, 13.10.2001, p. 32.

#### **6.4 Proposals for review**

There is no formal proposal for review before the Council for TRIPS.

### **7. Comments, including economic and social implications**

The discussion above illustrates the difficult task which legislators face in implementing the TRIPS provisions on industrial designs. The conclusion is that the different approaches are suited to different product sectors. It is, thus, important for any developing country to note which industries contribute the most to the economic development of the country, and the type of protection those industries require.

The discussion below highlights the different issues arising from such analysis.

#### **7.1 Industries which benefit from the copyright approach**

The availability of immediate and automatic protection is particularly useful for short-lived products. The lower threshold of originality (in comparison to novelty) is advantageous for industries which customarily rely on the prior state of art, for example, cultural or folkloric art. The criterion of originality allows industries to embark on market testing for their products without any loss of protection,<sup>504</sup> industries require a right to forestall piracy during the early and sensitive stages of market-testing. There are no application or registration costs, thus making the approach more suited for small and medium-sized enterprises. Copyright protection is not product specific, and will encompass the entire class or range of goods for which the design is used, giving a much wider scope of protection. The long duration of copyright protection corresponds to the need of some industries where product manufacture and consumer tastes are cyclical in nature. Copyright laws are increasingly being utilised to protect industrial subject matter such as computer programs and electronic databases. From the above, one can discern that copyright protection is extremely attractive to short-lived industries such as the toy, fashion and textile industries which are fast moving, quickly imitated and in need of immediate protection.

#### **7.2 Industries which are disadvantaged under the copyright approach**

Some industries, however, object to the copyright system due to the legal uncertainty which ensues from a non-registration system. Since copyright protection can arise automatically, there is no indication as to the duration of copyright protection. The absence of any examination process or public record or source of information leaves it impossible to determine which features of a product can be safely imitated. This is especially important in heavy and light manufacturing industries where new designs rely heavily on prior art or where the design is an improvement of an older design, or drawing which leaves competitors in doubt as to which elements are still in protection and which are not. The lack of registration

<sup>504</sup> This is so because a design that has been created independently will be qualified as original in the copyright sense even after the design has been made available to the public through market testing. This would be different under the *sui generis* approach, due to the novelty requirement, see below.

## 7. Comments, including economic and social implications

347

and public records creates problems in identifying the rights owners and their successors/licensees, and can hinder the transferability of rights. Since independent creations are outside the scope of copyright or anti-copying laws, there can be simultaneous protection of identical designs by different designers, which is not conducive to a climate of legal predictability. A low threshold of originality may lead to an erosion of the scope of protection which would provide ineffective protection. The converse argument is that some copyright laws provide over-wide protection due to their low originality threshold, their non-requirement of artistic merit, and their long duration of protection. This may lead to the protection of functional drawings and products, which is anti-competitive and would force many competitors out of the relevant product market. The protection criteria may be difficult to meet due to their subjectivity: many countries require an artistic or aesthetic element to be present in three-dimensional designs. Copyright law does not usually allow for a general compulsory licensing provision to counter anti-competitive effects.<sup>505</sup> Copyright only offers protection against imitation rather than an exclusive right, thus entailing evidentiary difficulties during infringement proceedings.

### 7.3 Industries which benefit from the *sui generis* design approach

The main advantage of this approach revolves on the single fact of registration, and the legal certainty which ensues. The registration system functions as a source of information, especially in relation to ownership, date of registration, priority applications, and the protected features (via a statement of novelty). Upon registration, competitors are placed on notice as to the existence of protection – this is a favoured factor by large manufacturing organisations and trade associations, especially in the engineering industry. There is no need to prove copying which can be difficult and often relies on circumstantial evidence such as access to works. The twin benefits of registration and an exclusive right enhances the registered design proprietor's ability to obtain remuneration either through licensing opportunities or by offering his right as a security interest or charge. The short duration conferred can be advantageous and pro-competitive, especially in relation to more utilitarian designs. Furthermore, most systems employ a renewal system thereby enabling the design proprietor the option of claiming the maximum term of protection, only when required, while ensuring that a steady number of designs will fall into the public domain before their maximum term of protection expires save for the commercially viable designs.

An illustration of how the registration of designs may be utilized for developing country concerns is the move by indigenous communities in Argentina to press for the creation of a register for their traditional knowledge.<sup>506</sup> Such register could include, *inter alia*, a list of traditional designs of indigenous people in South America

<sup>505</sup> As explained above (see Section 2.2), the Anell Draft did contain such a general provision, which, however, does not appear in the TRIPS final version.

<sup>506</sup> See "Call for Argentine register of local knowledge", at <<http://www.scidev.net/frame3.asp?id=2103200311090739&dt=Nandauthors=Valeria%20Romanandposted=21%20Mar%202003&dc=1&dr=1>>. The Argentine National Institute of Industrial Property (INPI) is currently examining such a request submitted by 44 indigenous leaders.

and thus prevent third parties from using these designs without the consent of the indigenous creators.<sup>507</sup>

#### 7.4 Industries which are disadvantaged under the *sui generis* design approach

However, one should also note that the apparent advantages conferred by registration may be illusory if national industrial property offices do not carry out detailed examinations. Moreover, the registration formalities can be complex and difficult to comply with, especially in respect of details as to the dimensions of the drawings, type of photographs, etc. Small and medium-sized firms are either unaware of the registration system in respect of their creations, or do not feel that the registration system applies to their work. This can lead to premature disclosure of the design through prior use or publication in the market. The registration process is an especial burden for industries such as the toy, clothes, fashion and furniture industries where a product's life cycle is short. The concept of novelty imposes an unrealistically high threshold for designs which are, by their nature, based on the prior state of art; no allowance is given for incremental creativity. The criterion of novelty and the corresponding lack of grace period mean that market testing of products is usually denied.<sup>508</sup> In many industries, the product design may revolve around several basic design themes, and market testing is needed to decide which specific design collections deserve registration. The cost of registration, especially in respect of multiple design applications, can be exorbitant. This is especially difficult for small firms with no trained personnel in industrial property matters. The publication of designs can be used by imitators in producing rival or pirate products. This has been cited as an especial problem in the textile and ceramics industries. There is a decline in the rate of increase in international registration, thus proving its unpopularity with industry.

#### 7.5 Implementation costs

As the costs of implementation are concerned, it is important to note that they will vary with the type of regime adopted.<sup>509</sup> Any system depending on the registration of a right (i.e. the registered *sui generis* design right approach) requires some prior examination of the submitted design with a view to deciding if it meets the conditions for protection (i.e. independent creation, novelty, or originality, Article 25.1). Such examination will entail certain costs,<sup>510</sup> but is justified in view of the fact that the applicant seeks to be granted an exclusive right. In case of non-registration systems (i.e. the copyright and unregistered *sui generis* design right approach), the right conferred is usually non-exclusive, and it comes into existence

<sup>507</sup> Ibid, reporting that a multitude of sandals, belts and other handicrafts sold in Buenos Aires bear the traditional designs of South American indigenous people, but are sold without the consent of those having developed the designs.

<sup>508</sup> This is so because once tested, the product arguably cannot be considered as novel anymore. For details on the novelty requirement, see Chapter 17.

<sup>509</sup> UNCTAD, 1996, para. 256.

<sup>510</sup> Ibid.

## 7. Comments, including economic and social implications

349

automatically with the creation of the design. Therefore, there is no examination, nor registration, and related costs will thus be avoided.

It is up to each government to decide how much weight will be given to the cost factor, and how much importance will be attached to the other criteria referred to above.

### 7.6 Summation

- TRIPS provisions on industrial designs are minimal, thus leaving Members room for implementation of any type of protective regime, including unregistered design right (see Sections 3.2 and 3.3.3 as well as Box 5).
- Members must either adopt copyright protection or *sui generis* design protection or both. Nothing under TRIPS forbids cumulative protection of industrial designs under design and copyright laws (see Section 3.2).
- The criterion of protection must include either originality or novelty (see Section 3.3.2, and Boxes 2 and 4).
- Most Members implementing TRIPS maintain the minimum standards; however, many developed Members, such as the European Community and the USA have opted for higher criteria of protection. It is unclear whether Members can opt for further more onerous criteria unless Members offer more than one type of protection for industrial designs (i.e. copyright and design laws) (see Section 3.3 and Boxes 1-3).
- At all times the mandatory requirement as to textile designs should be taken into account (see Section 3.4).
- The main problems with Articles 25 and 26 is that these provisions are not clear as to the exceptions incorporated under copyright and industrial design laws. For example, it is difficult to gain protection under U.S. and British copyright laws for three-dimensional industrial designs. Can Members go further and limit/curtail copyright protection to such an extent that no copyright protection is accorded to works of applied art, whereas the *sui generis* system requires more than novelty/originality? (see Boxes 1, 6 and Section 3.3.2)
- National treatment or reciprocity – to what extent should the Berne exceptions still apply? (see Section 3.6)
- Articles 25 and 26 allow utility model protection (see Section 3.7.4).
- In respect of indigenous or folkloric artistic works, Members should consider whether increased moral rights protection is a worthwhile approach (see Boxes 7 and 8).

Ultimately, it will be up to Members to decide whether they wish to promote certain local industries engaged in incremental innovation or designs by either adopting an anti-intellectual property market regime (for example, by excluding functional and other types of designs), or a pro-intellectual property market regime (by strengthening design protection or introducing utility model laws). In respect of other Members' laws, particular regard must be had to whether other countries which apparently have more protectionist laws, by adopting wide exclusions and limitations, actually offer much less protection than is otherwise



perceived: the question for all Members is whether their laws actually diminish or neutralise the protection which must be granted under TRIPS.

In respect of Articles 25 and 26, it has been observed that developing countries should look to their own interests and view existing copyright and design regimes critically.<sup>511</sup> However, in negotiations with developed country Members, it may well be to the advantage of developing countries to argue for strengthened design right, copyright or moral right protection of traditional designs as a negotiating tool in response to demands for increased protection in other industrial sectors.

<sup>511</sup> UNCTAD, 1996, para. 252.