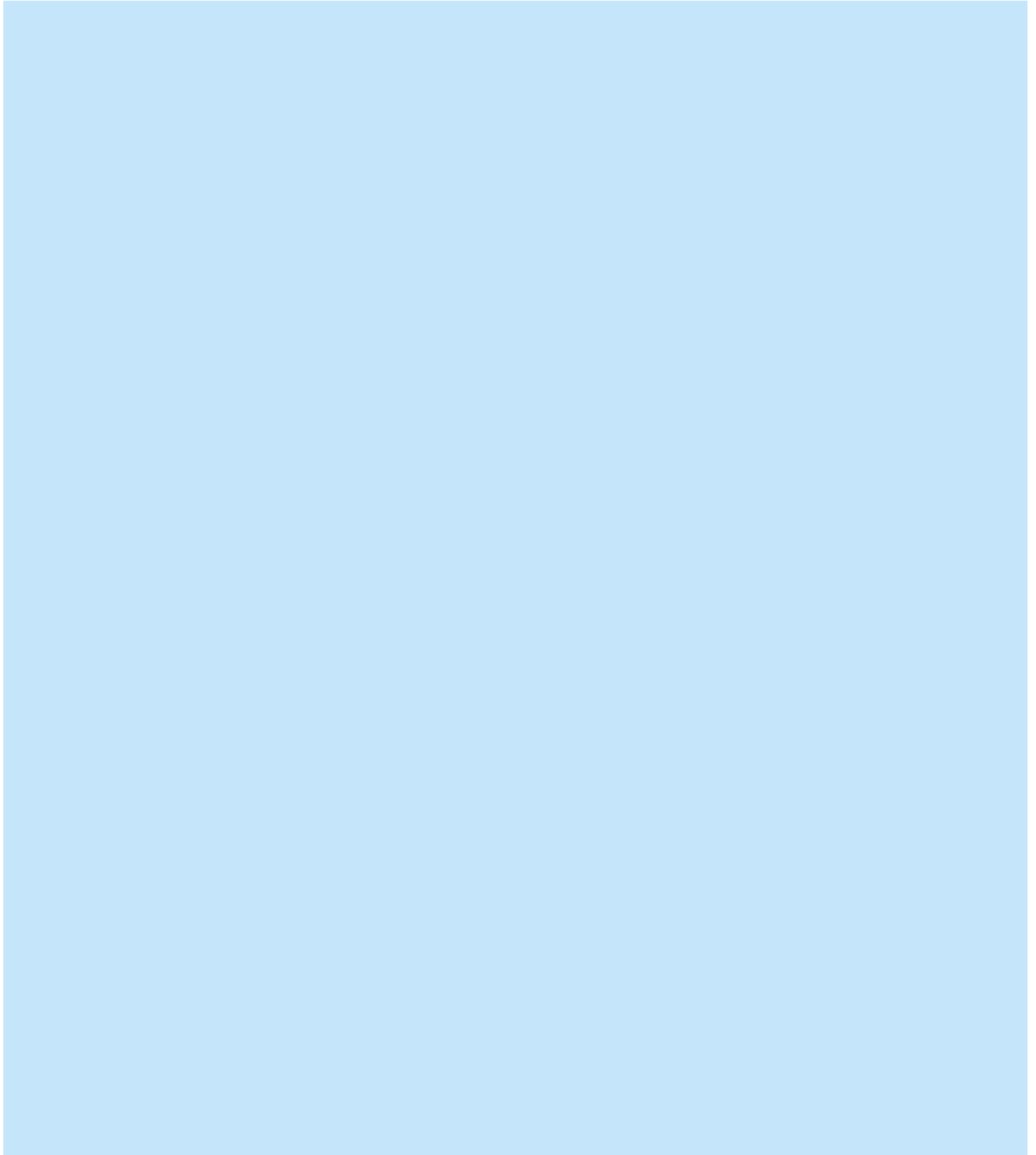


6th International Cool Climate Symposium for Viticulture and Oenology

Cool climates: making meanings from vineyard to table

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Bell Gully



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1. Legal philosophy of wine labels

A wine label provides a finite area in which to communicate with consumers in a meaningful (and, therefore, legible and intelligible) way. Different "stakeholders" require the label to perform different functions. There is thus considerable "competition" between different pieces of information for the available space.¹

Regulators (the first "stakeholders") take legislative priority and prescribe specific information and in what form that information should appear. In the New Zealand market for example, this includes statements about alcohol content, allergens, country of origin and standard drinks per bottle. The focus is clearly directed towards consumer health and safety.

The producer, (the second "stakeholder") through its marketing managers and designers, wants the label to communicate aesthetically with the consumer and to sell his or her product in preference to competing products.

Whereas for consumers, the label provides an essential means of providing informed choice when purchasing, the means of identifying of the product inside the bottle and assessing its relative worth, quality and desirability.

The legal protection of terroir intersects all three of these competing aims. It is a marketing device dressed as a consumer information tool and in jurisdictions with GI legislation, is a device enforced by regulators. In illustrating the challenge inherent in providing legal protection for a concept as nebulous as terroir, I will consider each of the purposes served by its protection in turn.

As background to that discussion, it is helpful to scan the legal philosophy of name protection and its historical development.

¹ J R Blanchfield (ed), *Food Labelling*, (Culinary and Hospitality Industry Publications Services 2001).

2. Legal philosophy of brand protection

Trade marks

The essential function of a trademark is to exclusively identify the commercial origin of products or services.

One of the public policy objectives given for trademark law is consumer protection. That is, to prevent the public from being misled as to the commercial origin and hence quality of a product or service. Trademark law prevents the unauthorised use of a trademark which is identical to the owner's mark, or which is so similar that use of the other party's mark would result in a likelihood of confusion.

By identifying the commercial origin and goods or services, trade marks help consumers to identify the producer and accordingly the expected quality of such goods and services. This performs the economical function of assisting in identifying goods and services that meet the individual consumer's expectations and budget. Trademarks also generate a form of self regulatory quality control. Without trademarks low quality dangerous and misleading products would be untraceable from an individual vendor to their source. Therefore, trademarks provide an incentive to maintain a reputation for predictable quality.

Geographical Indications

In many respects GIs bear the same characteristics as trade marks – they identify the source of goods and may also associate goods with a certain level of quality. However, there are important differences between GIs and trademarks beyond the direct linkage with quality or reputation.

Primarily, a trademark attaches to a producer regardless of its location (for instance, one manufacturer may produce a range of goods in different locations throughout New Zealand but all those goods will be associated with the manufacturer through a particular trademark). A GI on the other hand designates a particular geographic area, within which many different producers may have rights to its use. Accordingly, it could be said that a trademark primarily is an indicator of commercial origin, whereas a GI is primarily an indicator of geographic origin. In this context a number of complications arise.

First, though a product may be produced in a region with a particular reputation, that product made by different producers may still be differentiated by quality. Economists note that this may have an adverse affect on competition. The argument is that GIs are not sufficient to encourage competition based on quality among member producers and rather encourage producers in certain renowned geographic areas to migrate toward some average or least-cost quality.² This is taking advantage of a reputed GI to increase profit, resulting in perceived rather than actual quality for consumers. Of course, it could be argued in response that that ignores the ability of consumers to taste quality for themselves.

Secondly, many regions which could qualify for registration of a GI, are likely to have both producers that are solidly within its "boundaries" and other producers that are on its margins.³ Determination of whether the latter producers should be awarded use of the GI is liable to be costly and litigious, as experience has suggested in the case of Australian wine regions (to be discussed in the *Coonawarra* context below at paragraph 6).

² K Maskus, "Observations on the Development Potential of Geographic Indications" prepared for the U.N. Millennium Project Task Force on Trade, 2003.

³ Maskus, 8.

GIs as property rights

Some commentators object to including GI's in the definition of intellectual property rights altogether. They argue that there is a clear distinction between geographic characteristics, which they believe should not be subject to such rights, and human creativity which should.

Those opposed to extension of GI protection also point out that many of the terms now used to categorise products are derived from GIs that originated in Europe and were disbursed throughout the world as a result of emigration and colonization. They argue that these terms should not be proprietary to countries because they now denote production style characteristics rather than quality from geography.

On the other hand, those who wish to expand GI protections typically advise that the geographic indication is the product and thus is not a form of intellectual property. They believe GI's are properly discussed in terms of market access.

Bitá Amani argued in relation to GI protection that:

“[a] deconstruction of the premise for each nation’s articulation of its own interest, whether property, culture, or consumer protection is an important exercise in appreciating a nation’s stance in the international discussions.”⁴

For example, New Zealand’s conception of a GI as an object requiring legal protection is at odds with the EU approach which links perceived quality with geographical origin.

EU agricultural policy largely underpins the EU system of GI protection. Whereas EU policy aims to protect traditional, regional producers, New Zealand and Australian policy aims generally to encourage greater competition, innovation and efficiency in farming practices.⁵ Australian and New Zealand agricultural sectors are characterised by “a high degree of private control over production, which in turn results in production being dictated more by the cost of obtaining raw materials and the ultimate quality of goods than by fixed geographical location.”⁶

Until now, New Zealand’s approach to the regulation of food marketing has not been underpinned by perceived links between the quality of goods and their geographic origin. The platform of ‘consumer protection’⁷ has however been of paramount concern. As in Australia, New Zealand consumer protection law tends to proscribe the use of a geographical term in relation to goods to the extent that such use is likely to mislead consumers into believing that the term indicates the actual place of origin of the goods.⁸ The Fair Trading Act 1986, for example, prohibits traders from using *misleading* representations to describe, label or advertise their products. Trade mark legislation also provides protection by giving the registrar of trademarks power to revoke any registered trademark where “in consequence of the trade mark’s use by the owner or with the owner’s consent in relation to the goods in respect of which the trademark is registered, the trademark is likely to deceive or confuse the public...as to the geographical origin of those goods”. The Trade Marks Act 2002 also prevents traders from registering trademarks which comprise trademarks that serve only to indicate the geographical origin of goods and are accordingly not distinctive of particular goods.

⁴ B Amani, “A Penchant for Persian Rugs Over Palatable Products: The Use of Geographic Appellations as Trademarks” (1999-2000) 14 IPJ 185, 188.

⁵ M Handler, ‘The EU’s Geographical Indications Agenda and its Potential Impact on Australia’ (2004) 15 AIPJ 173, 179.

⁶ Handler, 179.

⁷ Handler, 179.

⁸ Handler, 179.

New Zealand's conception of a GI as an object of legal protection has traditionally been as an indication of geographic source, rather than as a signifier of certain production styles, product characteristics or reputation.

The legal philosophy behind a registration system for GIs is European in origin and is now grounded in EU agricultural policy. It will be interesting to see how that framework and the values inherent to it, will fit with our 'consumer protection' based approach when the Geographical Indications (Wines and Spirits) Registration Bill ("GI Bill") becomes law in New Zealand.

3. Development of legal brand protection devices

The 'branding' of goods for various purposes, including distinguishing them from those of other traders, can be traced back to ancient times. Similarly, the existence of rules governing the use of such 'brands' dates back to the medieval craft guilds.

It was not until the nineteenth century that the concept of property in a 'mark' which had become distinctive of a particular trader's goods, and so attracted valuable goodwill evolved. That less physical form of property evoked because of the value attributable to consumer identification of commercial origin and described as "intellectual property". In the middle of the 19th century there also developed the right to take action in the courts against infringement of a trade mark, even where there was no intention to deceive on the part of the infringer. The usefulness of such an action was, however, limited by the need for a trader to prove that the mark concerned was in fact capable of distinguishing his goods, and that it belonged to him.⁹

For these essentially evidential reasons, the kinds of marks shielded by the concept of intellectual property were limited. Initially, for example, most courts insisted that, to be protected, a trademark had to include the name of the manufacturer. Arbitrary or fanciful names (for example, "Balm of a Thousand Flowers" soap) did not qualify, nor did geographic names.¹⁰ Gradually, these and other restrictions were lifted.

By the end of the century, courts were willing to protect arbitrary names, symbols, and geographic names provided that they had acquired a "secondary meaning" ie they had come to be associated with particular products they had come to be associated with particular products in the minds of consumers.¹¹

Efforts at wine-name protection have had mixed results. Beginning in 1935, the French government created the system known as the Appellation of Controlled Origin (AOC) to protect wine makers. The ability to use an AOC name is restricted to wines made according to long-established traditions including the kinds of grapes that can be used in a particular regional blend, the way they are picked, the way the vines are planted, the strength of alcoholic content, and the kind of information that can be put on a wine label. In this way, the AOC name protection system is clearly different, and founded in different precepts, to what is traditionally understood as an intellectual property right in a trademark.

Over the past decade, Champagne, Bordeaux and other AOC denominations have successfully pushed for this system to be recognized outside Europe and many countries have now signed agreements with the EU that outlaw use of those names in those countries unless used in conjunction with a product produced in France in accordance with AOC requirements.

Background to TRIPS

Protection of intellectual property rights became increasingly important to developed countries in the mid 1970s to 1980s as trade in internationally known brands increased. Although intellectual property rights could be protected nationally, internationally they were not completely effective. In particular, nationals of developed countries were unable to enforce their rights in developing countries that had not implemented national intellectual property systems.¹² At the General Agreement on Tariffs and Trade Uruguay Round negotiations it was agreed that common international rules needed to be implemented to ensure that intellectual property

⁹ *A Brief History of Trade Marks*, <http://intellectual-property.gov.uk> (15 November 2000)

¹⁰ W Fisher, "The Growth of Intellectual Property: A History of the Ownership of Ideas in the United States" , <http://cyber.law.harvard.edu/property99/history.html>

¹¹ *Ibid*

¹² L Kellie, 'What's in a name? That which we call a rose by any other name would smell as sweet?...or would it?'(2001) Intellectual Property Forum, 9.

rights were uniformly protected and the Agreement on Trade-Related Aspects of Intellectual Property Rights ('TRIPS') was concluded.

TRIPS sets out the minimum standards of protection to be provided by the members of the WTO for the intellectual property rights covered by the Agreement. It is up to individual members to choose and/or develop mechanisms to meet these obligations.

TRIPS and GIs

GIs are included in TRIPS on the basis that a significant human and economic investment over many years is required to develop a well-known GI.¹³

Article 22 of TRIPS provides that GIs are:

“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.”¹⁴

Only GIs that comply with this definition are protected by the TRIPS Agreement. In her paper “What’s in a name?...”, Louise Kellie draws an interesting distinction between “appellations of origin” and “geographical indications of source.” “Appellations of origin” are said to be geographical names used on products to indicate that those products have specific characteristics which are *exclusively* or *essentially attributable* to their geographical origin. For example, ‘champagne’. “Geographical indications of source” on the other hand are said to be geographical names used on products to indicate that the products were produced in that geographical location. For example, ‘Made in New Zealand’.¹⁵ “Geographical indications of source” are *not necessarily* connected with certain techniques or methods of production.”

The definition of a GI under the TRIPs Agreement is closer to the definition of “appellations of origin” than “geographical indications of source”. To qualify as a GI under article 22 the indication must identify that a product has a special feature *because* of the place from which it originates. There must be a link (as discussed above) between a given quality, reputation or other characteristic of a product and its geographical origin.

New Zealand’s GI Bill adopts a similar definition of geographical indication to that used in TRIPS:

“A geographical indication is an indication that identifies a wine or spirit as originating in the territory of a country, or a region or locality in that territory; and where a given quality, or the reputation, or some other characteristic, of the wine or spirit is essentially attributable to its geographical origin.”

When we consider the difference between New Zealand and EU agricultural policies and the absence of any strong cultural link or historical quality link between certain varieties and their origin within New Zealand, it will be interesting to see how wine producers will be able to establish that their wine has a special feature *because* of the geographical place from which it originates (ie on the assumption that this definition is literally applied). The GI Bill and its impact will be discussed below at section 6.

¹³ Kellie, 9.

¹⁴ TRIPS calls for a higher level of protection for GIs for wines and spirits. The Agreement requires WTO Members to prevent the use of GIs identifying wines and spirits that do not originate in the place indicated, even where the true place of origin is indicated or the GI is used in translation or accompanied by such expressions as “kind”, “imitation”, or the like (Article 23.1). Further, it mandates negotiations concerning the establishment of a multilateral system of notification and registration of GIs for wines eligible for protection in those Members choosing to participate in the registration system (Article 23.4).

¹⁵ Kellie, 10.

4. Purposes from consumer perspective

As a wine consumer, I can say that I love to drink pinot noir in the same breath I extol the virtues of a good burgundy. Do I love the grape or the area? As French producers begin marketing new wines by the grape variety and new world wine makers seek to strengthen their geographical 'brand' we need to step back and consider how the role of the consumer influences these cultural shifts.

Not surprisingly, all sides in this battle invoke the consumer.

Those in favour of GIs argue that they are not just place names. They are signs that indicate to consumers some important characteristic of the wine that is attributable to its geographic origin.

Returning to the creation of perceived quality links between product and geographic location, GI sceptics note that such links do not simply appear overnight in the minds of consumers. It takes many years to create a reputation around a GI. Advertising is necessary but not sufficient to create a public perception of quality. From a consumer perspective, a GI cannot simply be declared. Both 'Martinborough Terraces' and 'Gimblett Road' had reputations before private initiatives to establish them as GIs. And deservedly so. Like a trademark – a GI can only enhance sales of a product if the term has a positive reputation in the mind of the consumer.

5. WIPO – conflict between first in time and first in line

Unlike other types of intellectual property whose purpose and form are relatively well settled, there is no uniformity in the way that individual countries or regions conceive of geographical indications as a legal construct.¹⁶

One area of law where this is particularly problematic is in the overlap between different brand protection regimes. The potential for trade marks and GIs to co-exist and conflict is the subject of much hand-wringing by legal academics and intellectual property commentators.

Unless New Zealand's proposed legislation is carefully implemented with the potential for conflict in mind, the following problems could arise:¹⁷

- (a) Use of a geographic name as a trade mark by one producer and subsequent registration of that geographic name as a GI. Once registration of a GI occurs, the trade mark owner would not be allowed to use the trade mark for its wines unless at least 85% of the grapes used to make the wine come from the region of that name. This may constitute a legal barrier to the use of the trade mark where the trade mark owner makes their wine using (15% or more) grapes from other regions.
- (b) Trade mark infringement and dilution of the value of a trade mark. If a trade mark is registered as a GI, then it will be available for use by all producers from that region provided that the 85% rule is complied with. This could dilute the distinctiveness of the trade mark and damage the goodwill of its proprietor, particularly if not all producers in the region produce wine of a similar quality and style.

This issue has arisen in Australia where vineyards named after their regions have acquired a reputation, and other vineyards, subsequently established in the same region, include on their labels an indication to consumers of the region of which their grapes are grown and produced.

The first vineyard may argue that newcomers have included a reference to the region in order to capitalise on the reputation of the first vineyard and that the new vineyard accordingly "owes" the first vineyard for any benefit derived from that. By way of a practical example – litigation has taken place between Koppamurra Wine Company and other vineyards in the same area of south eastern South Australia wishing to name their region 'Koppamurra' and register it as a GI. There has also been litigation between the proprietor of the winery known as 'Port Philip Estate' on Mornington Peninsula and a party who was selling its wines using the registered GI 'Port Philip.' Both cases were settled before a final court decision was made and accordingly no judicial directive as to what should occur in such situations if available.

The International Solution

Australian academics have noted that if the Australian industry were to seek guidance from more mature international wine markets on a suitable approach to the conflict between trade marks and GI's then they would be in for a disappointment, since no one rule has been applied consistently.

The only guiding principle that most organisations and countries can agree on is that the first in time to use or register the trade mark or GI has priority.

¹⁶ Handler, 174.

¹⁷ S Stern, "The Overlap Between Geographical Indications and Trade Marks in Australia"(2001) 2 MJIL 224, 225.

First in time, first in right

When two parties claim competing rights to a trade mark, or other form of intellectual property, there are a number of processes which may be used to test the validity of each party's claim. The "first in time, first in right" maxim is one such mechanism which is widely used.¹⁸

Subject to the overriding concern to avoid deception or confusion, EU laws give recognition and protection to the trade mark or GI which has priority in time. For example, although *European Community Regulation 2081/92 article 14(2)* permits the coexistence of registered trade marks and GIs, where the trade mark is registered in good faith *prior* to the filing date of an application for registration of a protected GI – the same laws provide that a "geographical indication shall not be registered where, in light of a trade mark's reputation and renown and the length of time it has been used, registration of the GI is liable to mislead the consumer as to the true identity of the product." (art 14(3)).

In the United States a "brand name of viticultural significance may not be used unless the wine meets the appellation of origin requirements for the geographic area named." Which means that even if a brand name (or trade mark) has been used for a period of years before the Bureau of Alcohol, Tobacco and Firearms ('BATF') recognised and registered the name of a viticultural area, the BATF requires the pre-existing brand to cease being used unless the usage is under a BATF certificate of label approval predated 7 July 1986.

All other wine must either meet the appellation of origin requirements or be labelled with some other statement that the Director of the BATF "finds to be sufficient to dispel the impression that the geographical area suggested by the brand name is indicative of the origin of the wine." Thus, the protection of American viticultural areas prevails over the protection of trade mark rights, subject to a very limited recognition of a 'first in time' exception.¹⁹

The International Office of Vine and Wine ('OIV')

As an intergovernmental organisation comprising 45 member countries including New Zealand, the OIV aims to improve the conditions for marketing vine and wine products internationally. In 1995 the OIV passed a resolution to the effect that geographical indications and trade marks deserve equal protection, according to the principle that the first party in time to use a name, whether as a trade mark or as a geographical indication, should have priority.

International Wine Lawyers Association

At their Conference in Seattle at the end of September 2004, the AIDV (International Wine Lawyers Association) adopted a resolution intended to reduce the conflict between trademarks and geographic indications in the following form:

- (a) Trademarks and geographical indications (including appellations of origin) are intellectual property rights recognised as such and defined by provisions of the Agreement on the Trade-related Aspects of Intellectual Property ("TRIPS"), signed in Marrakech on 15 April 1994.
- (b) Geographical indications and trademarks are equally entitled to protection under the law [and one should not be preferred to or receive greater protection than the other].

¹⁸ S Stern, "The conflict between geographical indications and trade marks" Address to the Annual Conference of the Intellectual Property Society of Australia and New Zealand, 11 September 2004.

¹⁹ S Stern, "The Overlap Between Geographical Indications and Trade Marks in Australia"(2001) 2 MJIL 224, 234.

- (c) Trademarks, within the meaning of Article 15 of the TRIPS Agreement, allow for protection against infringing use to the extent use or registration is maintained.
- (d) Geographical indications, within the meaning of Article 22 of TRIPS, constitute intellectual property rights subject to collective use.

They are [generally] recognized or authorised by public authorities, which provides them with protection.

In addition, geographical indications for wines and spirits benefit from additional protections pursuant to Article 23 of the TRIPS Agreement.

- (e) Both trademarks and geographical indications are of equivalent importance for the marketing of wines and spirits.
- (f) The function of geographical indications is to identify the provenance for a product, as well as to serve as a distinctive designation reflecting particular characteristics and thus becoming the necessary designation for a product from a particular region or locality.
- (g) Prior to being adopted and put into use, a trademark is never the necessary designation for wine or spirit products. Unlike geographical indications, trademarks do not at law imply particular qualities and are not indications of source (except for certain marks such as certification marks or, for example, viticultural marks for wines with geographical indications).
- (h) A balanced development should be assured between the two different types of distinctive signs.
- (i) Co-existence between a trademark and an identical or similar geographical indication should generally be avoided due to the risks of confusion for the public and developing parasitic practices although perhaps, on a case-by-case basis, there may be grounds for limited exceptions.

Factors to consider for exceptions should include but not be limited to : good faith or lack thereof, relative degree of public recognition, extent of relative investments, and availability of alternative designations.

- (j) In order to ensure certainty and fairness in the market, the priority principle should be applied in the event of conflict between a trademark and a geographical indication.

Priority can be established in the first instance by means of public recognition, use or the registration of a trademark or a geographical indication according to the law in a particular territory.

However, taking into account the particular and public nature, collective use and indication of source of geographical indications, priority for a trademark over a geographical indication should be assessed in light of good faith, knowledge of the geographical character of the trademark name, and the risk of confusion for the public between the trademark and the origin of the product.

To avoid conflicts, the possibility of using other geographic names for the indication of the same origin or provenance should be considered.

- (k) Trademarks and geographical indications should be protected against exploitation of the reputation or other intellectual property rights already acquired by one or the other.
- (l) In order to avoid the risk of misleading use, confusion or unfair competition, the registration and use of a trademark that is identical or similar to a geographical indication protected under the TRIPS Agreement should be refused, except for certification marks or for viticultural marks designating specific vineyards where there is no risk of confusion.

In addition, in order to avoid the risk of misleading use, confusion or unfair competition, the registration or use of a geographical indication that is identical or similar to a trademark that has acquired prior rights should not be protected.

In addition, the registration and use of a geographical indication that is identical to a trademark having acquired prior rights or become well-known should also be refused.

Geographical indications may, in certain cases, also be entitled to protection under the trademark laws of a given country.

- (m) Thus the clear direction that the intellectual property world has been heading has been in the direction of implementing the well-accepted principle of “first in time, first in right”. The proponents of the “first in time” principle generally recognise that territoriality is an essential element of any claim. In other words, to be “first”, it is not sufficient that the usage or registration in question have merely occurred somewhere in the world. Rather, disputes are settled on a territory by territory (or jurisdiction by jurisdiction) basis.²⁰ The difficulty of determining ‘first in time’ in 2006 will be discussed below in the context of the GI Bill.

TRIPS

Although TRIPS contemplates coexistence of trade marks and geographical indications, it is interesting to note that the ‘first in time’ rule requires that the adoption or use of a trade mark in one country must take place before that same name is recognised as a GI in ‘its country of origin.’

In practice, this means that a trade mark could be adopted in New Zealand in 1983 and be used in good faith until the current time, only to find that an identical name became protected as a GI, in a foreign country which is a member of the WTO, a few years before the New Zealand adoption of the trade mark. Even if there was no knowledge of that GI in New Zealand, the provisions of TRIPS would offer no protection to the New Zealand trade mark owner.

Problems with ‘First in time’ in practice

Perhaps it is too simplistic to assume that because trade marks and GIs seem like similar forms of intellectual property protection, conflicts between trade marks and GIs can be resolved in the same way as a conflict between two trade marks – by applying the first in time maxim.²¹ In his article on the subject, Australian lawyer Stephen Stern points out that the application of such rules or maxims, whilst seemingly attractive, can work serious injustice.

The case he uses to illustrate this point is the Australian dispute between those persons wishing to register “Great Western” as a GI and Southcorp Wines, which is using that name as a trade mark. If the maxim “first in time” were to be applied as the ultimate test, then the history books make it clear that the name should be registered as a GI: its use as a GI predates adoption of the name as a trade mark by at least five years.

However, Stern is quick to point out that those five years occurred between 1855 and 1860 (or thereabouts) and the name “Great Western” has coexisted as an (unregistered) GI and as an (unregistered) trade mark for the last 143 years.

It would make little sense on an equitable basis to allow the region to be registered as a GI if the result was that it could then not be used by Southcorp Wines as a trade mark. Stern concludes by noting that the so-called “simple” answer of applying the “first in time” principle does not always produce equity and would not do so in

²⁰ S Stern, “The conflict between geographical indications and trade marks” Address to the Annual Conference of the Intellectual Property Society of Australia and New Zealand, 11 September 2004, 13.

²¹ Ibid, 4.

this case: “the rigid application of any rule, whether it be the “first in time” principle or the straight favouritism of GIs over trade marks, may equally create serious injustice.”²²

Are there situations where overlapping trade marks and GIs can co-exist? It has been suggested that this scenario could only work if persons using either the relevant trade mark or the relevant registered GI would be required to mark their label clearly so as to show consumers in what context the name was being used. In 1998 the Australian Wine and Brandy Corporation circulated a proposal containing this very suggestion:

“Experience has shown that because GIs are not identified as such, many names appearing on labels can be, intentionally or otherwise, ambiguous, misleading or confusing as to whether it is a GI claim, a brand name, a trade mark, winery name, vineyard or winery location or winery address. Textual comments on the back label can also mislead as to the actual GI source of a wine.

It is believed that if a GI is preceded by an abbreviation identifying it as a GI claim, any confusion as to the intent of the statement should be eliminated. It is suggested that the initials ‘RGA’ which stand for ‘Registered Geographical Area’ should appear immediately adjacent to any registered GI name appearing in any description and presentation of wine.”

It remains to be seen whether a proposal of this nature could be implemented by producers and accepted by consumers, but Stern suggests that this approach would allow Australia to avoid the very tough policy decision of whether registered GIs should be registered in preference to trade marks, or vice versa.

²² Ibid, 14.

6. GI Bill – going down Coonawarra path?

My interest in *terroir* as a legal construct dates back over 15 years and my involvement in the New Zealand's first attempt to codify a system of GI registration. The journey from the 1990 Winemakers Regulations – which sought to create a hierarchical denomination system – to today's less prescriptive GI Bill demonstrates the diversity of regulatory response.

Winemakers Regulations 1990 – the denomination structure

Intended largely for commercial/labelling assurance advantages – the proposed denomination structure was billed as “geographically “pure” at the regional level, and loose/undefined but flexible at locality levels, with provision for designated vineyards.”

In a memo to Wine Institute of New Zealand members dated 17 December 1992, the Institute's Executive Officer said that the goal of the system was to “guarantee the geographic origin of the grapes from which a wine is produced, when such origin is claimed on the label” “allied to this, the system will also guarantee the grape varieties and vintage stated on a label when a geographic origin is claimed on the label.”

The proposed system was based on a hierarchical system of geographic areas:

| | |
|---------|------------------------|
| Level 1 | New Zealand |
| Level 2 | North and South Island |
| Level 3 | Regions ²³ |
| Level 4 | Localities |
| Level 5 | Vineyards |

Localities were described as being “identifiable localised areas which are smaller than a region and are mutually exclusive. The location of localities was to be decided by the Wine Origin Commission after consultation with the Regional Wine Origin Committees.

Vineyards could be either proprietary vineyards to which the proprietor had assigned a name, or geographic feature vineyards named after vineyards which could either adjoin, abut, or be contiguous with linear geographic features such as streets, roads, rivers or streams. All wines produced from such vineyards were to be given the right to name themselves after these features.

Essentially, no producer was to be allowed to sell wine produced from New Zealand grapes and labelled by any reference to a Certified Origin²⁴ if the wine was not a wine of Certified Origin, unless that name was set out in the first schedule. The first schedule to regulations was to comprise a list of winery names and brand names already in use by wineries, eg. Shingle Peak, Te Mata Estate etc.

²³ Northland, Auckland, Waikato, Bay of Plenty, Gisborne, Hawkes Bay, Taranaki, Manawatu, Wanganui, Wellington, Marlborough, Nelson, Canterbury, West Coast, Otago, Central Otago, Southland.

²⁴ The interpretation of “Certified Origin” was listed as ‘the use any New Zealand geographic term on any grape wine label.’

The Geographical Indications (Wines and Spirits) Registration Bill 2005

In December 2005 the Geographical Indications (Wines & Spirits) Registration Bill had its first reading in Parliament. It is intended that the Bill will replace the Geographical Indications Act which was passed in 1994 following the WTO Agreement on Trade-Related Aspect of Intellectual Property Rights (TRIPS), but which was never brought into effect.

The purpose of the Bill is said to be:

“to... provide a sound trading and marketing environment that facilitates, rather than creates barriers to, the trade in wine and spirits.” (cl 3)

The question is whether it is likely, or even possible, for the Bill to achieve this.

“No strong interest” in NZ

The Bill's digest states that there has been “no strong interest” on the part of New Zealand producers to register GIs. This is entirely unsurprising given the relatively short history of wine production in New Zealand and the prevalence and strength of trade marks in this country. Not to mention the additional costs involved in first registering and then attempting to market a regional reputation in a country without an established tradition of GI registration.

Put simply, there is no such geographical practice in existence in New Zealand. Particular regions are not limited to producing particular grape varieties (as they are in France), and to harvest and turn those grape varieties into stunning wine in particular traditional (or some may argue regimented) ways. It is therefore doubtful whether the registration of a GI is likely to achieve any sort of consumer protection and quality assurance for New Zealand products which is not already in existence by virtue of the trademark branding scheme.

As the Bill's overall purpose is said to be to contribute to ‘development’ and ‘innovation’ and facilitate trade in the wine and spirit industries in New Zealand, the Government must see some potential economic benefit in the ability for New Zealand producers to differentiate their products through the promotion of registered GIs. If there is not such a benefit, then the only purpose the Bill appears set to achieve is the protection of international GIs which it is certain international wine and spirit producing corporations will flock to register.

The Application Process

Applications for the registration of both foreign and New Zealand GIs are subject to an examination and opposition process. The Registrar must not register:

- (a) GIs for a wine or spirit identical to an already registered geographical indication in respect of the same or similar geographical origin;
- (b) customary names of grape varieties or common names of New Zealand wines;
- (c) GI's identical or confusingly similar to a pre-existing trade mark (unless trade mark owner consents).

Although the theme of the Bill in relation to applications is ‘first-in-time, first-in-right’, clause 15 of the Bill allows a later-filed GI to be registered despite a pre-existing trade mark. In this context, the Registrar will consider: the GI's history of use and recognition in New Zealand, the legitimate interests of the owner of the trade mark and of third parties, and any other relevant factors. The purpose of these restrictions is said to be to protect the integrity of an already registered GI *and* (in the context of trade marks) to prevent confusion with other forms of branding. It is difficult to see how a clause enabling the registration of a GI which is identical or confusingly similar to a pre-existing trade mark could fulfil this purpose.

This position is particularly surprising in light of the Government's position internationally, where it tends to oppose EU proposals for extension of protection for GIs:

“The higher level of protection . . . could give GIs precedence over other forms of intellectual property such as trademarks. There is, in our view, no reason why one form of intellectual property should take precedence over another.”

“First in time, first in right”

As discussed above, it has becoming increasingly difficult to apply the “first-in-time, first-in-right” principle because of serious uncertainty as to what constitutes “first in time”.

Although it has customarily been a requirement that to establish a right by use, a party must actually have a business or trade in the country in question, the test for determining prior use has extended and blurred in recent years. In many countries, New Zealand included, a right to trade mark ownership may be established even if the person claiming the right has no business in the country. Actual trade or dealing in goods bearing the trade mark in New Zealand is not necessary; nor is it necessary that the goods be in New Zealand at the time the mark is used.

With the increase in international trade and cross-border internet transactions, determining which party is “first in time” in any particular jurisdiction is becoming a far more complex undertaking. This means that there are potentially several possible dates of “first use”. In the case of a GI, these could be:

- (a) the date of the first recognition of the geographical indication in its country of origin;
- (b) the date when the geographical indication was first protected in its country of origin;
- (c) the date when the geographical indication was first published, in any sense, in the second country where the dispute takes place;
- (d) the date when products sold under or by reference to the geographical indication were offered for sale or sold in the second country.

If a person uses a trade mark that also happens to be a GI in another jurisdiction, and faces a challenge by the producers from the region which is entitled to use the GI, to which of these dates must the person look as for an answer?

What is a locality?

The Bill's treatment of pre-existing trade marks also raises the question as to whether a “locality” may constitute a road or other such area which is essentially a political rather than a geophysical boundary. Wine is often promoted by association with ‘localities’ such as regions, valleys, hills, roads, rivers etc. Many wineries currently include what is arguably a GI as part of their registered trade mark. For example, “Mill Road”, “Felton Road”, “Clifton Road” and “Gifford Road Marlborough” are all registered as trade marks. Should those such localities be similarly registrable as GIs?

Once a GI is registered, it may only be used in relation to a wine if at least 85% of the wine is obtained from grapes harvested in the geographical origin. This restriction on use does not apply in respect of the use of a trade mark registered or acquired by use in New Zealand before the effective date. Although it is easy to prove the date of use for registered trade marks, proving that an unregistered trade mark was used before the ‘effective date’ may present more of a problem. For this reason, it would be prudent for users of unregistered trade marks to at least *apply* to register their trade mark before the Bill is enacted.

If the practical implication of clause 15 is to give GIs precedence over trade marks in certain circumstances, then owners of marks (both registered and unregistered) will need to take notice of all GI applications and consider opposing any applications which may erode intellectual property rights in New Zealand.

GI Boundaries

The delineation of precise boundaries is a necessary part of determining the scope of a GI. Unhelpfully, the Bill provides no guidance on how boundaries are to be determined. As clause 55(b) provides for regulations to be made “prescribing the procedure for dealing with an application for registration of a GI” it is likely subordinate legislation will provide guidelines for delineating boundaries.

The Australian Wine and Brandy Corp Regulations 1981 prescribe a number of matters which must be taken into account when determining a GI. They include:

- (a) whether the area falls within a subregion, region or zone (to do this the area must be a single tract of land with discrete and homogeneous grape growing attributes usually producing at least 500 tonnes of wine grapes and comprising at least 5 separately owned vineyards, each of at least 5 hectares in size);
- (b) the history of the founding and development of the area;
- (c) the existence of natural features including rivers, contour lines and other topographical features;
- (d) the existence in the area of constructed features, including roads, railways, towns and buildings;
- (e) boundaries suggested in the Geographic Indication application;
- (f) ordinance survey map grid references;
- (g) local government boundary maps;
- (h) the existence of a word or expression to indicate the area including any history relating to the word or expression, whether the word or expression is known to wine retailers outside the area, and the traditional use of the word or expression in relation to the area;
- (i) the degree of discreteness and homogeneity of the proposed Geographic Indication in respect of the following attributes:
 - (i) the geological formation of the area;
 - (ii) degree to which climate (including rainfall and hours of sunshine) is uniform;
 - (iii) uniformity of harvesting dates;
 - (iv) whether part or all of the area is in a natural drainage basin;
 - (v) the availability of irrigation;
 - (vi) elevation;
 - (vii) government development plans; and
 - (viii) history of grape and wine production in the area.

These factors are not exhaustive and other factors may also be taken into account.

The key criterion here is the requirement for a “single tract of land that is discrete and homogenous in its grape growing attributes to a degree that...is measurable.” Obviously therefore, simple geo-political regions would not satisfy those requirements for registrability.

Terroir v political boundaries

When read with the New Zealand Bill's definition of geographical indication – “a given quality, or the reputation, or some other characteristic, of the wine essentially attributable to its geographic origin,” the complexities of fixing intangible (and often subjective) qualities of reputation or quality to a tract of land become even more apparent. And then, even once reputation or quality is linked to a an area of land, deciding where that 'quality' begins and ends presents an even higher hurdle. See the Australian case of *Beringer Blass Wine Estates Ltd v Geographical Indications Committee* [2002] FCAFC 295 for a fair dinkum example. The conflict between 'terroir' and what are essentially political boundaries was acknowledged in that case:

“The characteristics of wine essentially attributable to the region where the grapes are grown will not be influenced by the location within that region of local government or land survey boundaries administratively fixed for reasons unrelated to soil, climate or other conditions which bear on grapevine horticulture. Whilst boundaries of this kind may have a role to play in the selection of an appropriate name, word or expression to describe a region, to use them to identify the region is likely to introduce a wholly irrelevant consideration.”

Inevitably, the process of registering a GI in New Zealand has the potential to force more neighbouring wineries into being enemies than to generate market solidarity. For instance, just where does Martinborough start and end?

If New Zealand implements similar measures for determining GI boundaries as Australia, it will be interesting to see how pre-determined GIs based on political boundaries satisfy the criteria for:

- (a) single tract of land with discrete and homogeneous grape growing attributes;
- (b) geological formation;
- (c) climate; and
- (d) elevation.

What we can learn from the Australian experience

In Australia, the process of boundary determination is not well understood by industry and there have been calls for increased procedural transparency and the development of arbitration procedures to resolve disputes in preference to costly litigation. The disputation and eventual litigation in the *Coonawarra* case for example, lasted for eight years and cost millions of dollars.

In practical terms, the Australian experience must serve as a warning. In order to avoid the prospect of expensive and prolonged litigation in the determination of GIs, any process of boundary determination should be clearly and transparently constructed – with industry consultation as an essential component.

There is an enormous challenge ahead for the Government when the time comes to fill in the detail through implementing regulations. In relying on a system which uses a theory as a first step (and given the fact that generally there is no tradition or experience of constant and traditional usage in New Zealand to support that theory), then attempting to delineate quality solely on the basis of the physical environment, New Zealand's intended attempt to regulate *terroir* in its present form is potentially fraught.

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