I. INTRODUCTION

State Trading Enterprises (STE) have been an important part of international agricultural trade for decades. However, it is only recently that they became a controversial international trade negotiations issue. In general, the idea of international co-operation to reduce the place of government in trade has gained currency since the end of World War II. The subject was debated at the time of the Preparatory Committee for the Havana Conference. Countries that wanted to "clip the wings of state trading enterprises" were unable to force disciplines in the area of STEs because of the large number of states who relied on such entities to retain control over trade at the domestic level. This deadlock relegated the development of a regulatory framework for STEs to the background of international trade negotiations. Thus, rules on STEs were scarce and controversial, monitoring non-existent, and the actual impact of STEs on trade was the subject of speculation but largely definitively unknown.

Many developing countries do however use STEs. In Africa, STEs were a prominent feature of post-independence economic development planning. They remain so to date. Despite international pressure for privatization and liberalization, key sectors such as agriculture remained largely under the STE umbrella.

More recently, agricultural trade liberalization efforts, in the context of the WTO, have revived the importance of stricter controls on the potential distortive effects of STEs. The implementation and enforcement of internationally negotiated rules on agricultural trading set the stage for closer scrutiny on the different international actors, notably STEs, the concern being the circumvention of those newly negotiated international trade rules and principles. The current debate over the role and regulation of STEs is actually more a reflection of competition between developed countries rather than a further attempt to restrict developing countries, even if that is the

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4 Ibid.
ultimate result. It is also noteworthy that some of the biggest STEs are to be found in developed nations such as Canada and Australia.

This brief chapter highlights the evolving debate on STEs. It discusses the benefits and problems associated with the different types of agricultural STEs.

II. STEs AND AGRICULTURE

2.1 Defining STEs

The legal definition of an STE is currently a hotly debated subject. The source of contention arises from the classification of STEs for notification requirements which would then make them subject to WTO disciplines. The existing WTO definition is imprecise and depends to a large extent upon self-identification by members of their institutions and the measures that they consider to be state controlled. As a result, many enterprises with state-sanctioned powers are excluded from the WTO’s STE disciplines.

2.1.1 An evolving definition?

The history of drafting a definition of STEs demonstrates the difficulties in reaching a consensus over such a diverse and complex trade actor. One of the major problems contributing to confusion, contention and the lack of information regarding STEs is in fact the absence of a legal definition of an STE in GATT, article XVII.

In the absence of a legal definition, economists often substituted their own by stating that "state trading occurs when there exists a trading organization for which the prices and/or quantities of international transactions in commodities are determined as an instrument in the pursuit of government policies." While this definition focuses on government control for public policy objectives, other economists argue that deference should be given to

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6 Ibid.
7 Roberts (2001).
the interpretation made by WTO Panel reports. This definition also suggests that the use of tariffs, quotas and other traditional trade instruments do not constitute state trading, while trade by government-chartered marketing boards with monopolies does.

Nevertheless, despite several GATT panel reports containing references to what an STE entails, the definitional issue has not yet been specifically ruled on by any dispute settlement panel to date. Moreover, none of the panel reports have dealt with STE exporters, and therefore there is no GATT jurisprudence specifically directed to the issue of defining the latter. This initial lack of a working definition was later addressed somewhat in 1994 through the Understanding on the Interpretation of Article XVII, which stipulates that STEs are:

"[A] governmental and non-governmental enterprise, including marketing boards, which have been granted exclusive or special rights or privileges, including statutory or constitutional powers, in the exercise of which they influence through their purchases or sales the level or direction of imports or exports."

This definition is a functional one, which focuses on the exercise of special rights or privileges that have an influence on the level or direction of imports or exports. This represents a shift from the early United States-suggested institutional approach which focused on the control of the enterprise exercised by government. Despite this working definition, the United States seems to maintain a different view of STEs. In a report to Congress in 1996, the United States General Accounting Officer stated: "STEs are generally considered to be enterprises that are authorized to engage in trade and are owned, sanctioned, or otherwise supported by the government." Thus, it seems the debate over a STE definition will remain open until a challenge before a WTO panel decides definitively on the matter. Current

13 Ibid.
14 Ibid.
17 Ibid.
18 Ibid.
usage accommodates a broad definition of "enterprise" using the objective of GATT (to liberalize trade and reduce trade distortions) as its parameters; it would be inconsistent with the purpose of GATT to allow member states to circumvent their trade obligations by creating enterprises that fall outside this definition. However, the lack of a legal definition has not prevented definitions in practice of STEs characterised by their economic attributes.

2.1.2 Scope and types of agricultural STEs

An STE is a government enterprise or quasi-government enterprise that operates with special protections and privileges granted by the country's central authority. Seventy-five percent of STEs notified to the WTO are involved in agriculture. The prevalence of STEs in agriculture stems from the belief that state trading is an appropriate means by which governments can meet agriculture-related policy objectives. They generally exist for one of two reasons. Sometimes, as is the case with many African government parastatals, they are created to tax the domestic industry and imports for revenue generation purposes. Alternatively, an STE's mission is often to increase revenue or profit from sales for domestic producers, processors and other marketing chain operations.

The list of agricultural products traded by STEs is long. It includes alcoholic beverages, cotton, dairy products, edible oils, ethyl alcohol, fresh and chilled vegetables, fruits and dried fruits, garlic, grains, honey, hops, meat and livestock, oilseeds, opium, potatoes, poultry and eggs, raw silk, soybeans, sugar, tea, tobacco and tobacco products, and wool. Among these, the products most traded by STEs are wheat, feed, grains, rice, dairy products and sugar.

20 FAO, 2002. *Agricultural state trading enterprises and developing countries: some issues in the context of the WTO negotiations*, p. 89. FAO Papers on selected issues relating to the WTO Negotiations on Agriculture. Commodities and Trade Division. Rome (hereafter FAO (2002)).
21 Ibid.
23 Ibid.
25 Ibid.
Agricultural STEs have many forms and functions, and may be categorized as: statutory market boards, export marketing boards, regulatory marketing boards, fiscal monopolies, channelling agencies, and foreign trade enterprises. Regulatory boards and canalizing agencies tend to be government agencies or corporations, while agricultural producers own some statutory marketing boards.

(a) Statutory market boards

Also known as statutory marketing authorities or control boards, statutory market boards are the most common type of STE in the agricultural sector. Those boards may have any or all the following objectives: domestic price stabilization, market regulation, and control and promotion of exports.

STEs are usually producer-controlled, state-sanctioned monopolies with exclusive authority for a wide range of market interventions, such as the regulation and purchase of domestic distribution, and conducting foreign trade. They typically have control over the movement, pricing, quality standards, and marketing of the agricultural products that they cover. Other types of STEs generally have a narrower range of objectives and make less market interventions.

(b) Export marketing boards

These are often of a similar structure to statutory marketing boards but with the distinctive characteristic of dealing exclusively with export items, mainly by controlling the export marketing of the products they are responsible for. They are responsible for entering into long-term sales or supply contracts with the governments of importing countries, or entering into joint ventures with importing firms. These boards often guarantee buying prices to smallholder farmers thus shielding them from price fluctuations in the world market. The risks inherent in the export process are
thus borne by the board.\textsuperscript{30} These boards are considered to be an efficient mechanism for the collection of government revenue.

\begin{itemize}
  \item[(c)] Regulatory marketing boards
\end{itemize}

These boards often carry out the same tasks as statutory marketing boards, but do not engage in trade and instead contract this role to private companies.

\begin{itemize}
  \item[(d)] Fiscal monopolies
\end{itemize}

Fiscal monopolies allow the government to generate revenue from price increases on imported products as a result of the "elasticity" of foreign demand.\textsuperscript{31} To a large extent these Boards control marketing and distribution of items with particular health or tax implications such as tobacco and alcohol.\textsuperscript{32}

\begin{itemize}
  \item[(e)] Canalizing or channelling agencies
\end{itemize}

Canalizing agencies direct import and export items through a specific agency dealing with these products which facilitates better pricing for large transactions.\textsuperscript{33} Often they have monopolies over trade of a specific commodity in order to stabilise domestic prices, local supply or regulate foreign exchange.\textsuperscript{34}

\begin{itemize}
  \item[(f)] Foreign trade enterprise
\end{itemize}

This is the term given to the marketing boards of centrally planned economies, which by and large have been dismantled, but in some countries such as China, still have a large role in agricultural trade. These bodies shielded the country economy from world prices as their imports were directed by the central government in accordance with specific targets.\textsuperscript{35}

\textsuperscript{31} \textit{How prevalent is state trading in agricultural trade?} (available at www.ers.usda.gov).
\textsuperscript{32} FAO (2002), pp. 90 and 91.
\textsuperscript{33} FAO (2002), p. 91.
\textsuperscript{34} Ibid.
\textsuperscript{35} Ibid.
2.2 Benefits and problems associated with STEs in the agricultural sector

STEIs have access to various policy tools (export subsidies, pricing, supply controls, tariff-rate quotas, quantitative restrictions on trade, and marketing arrangements) which enhance their ability to compete in international markets. All these instruments are permitted under the Uruguay Round Agreement in one form or another, though some may have greater potential than others to distort trade. The following section reviews some of the benefits derived from the use of STEIs and also examines their potential trade-related problems.

2.2.1 The benefits of STEIs

(a) Policy implementation tool

STEIs are often used to implement diverse agricultural policies. Some were intended primarily as a device for collecting revenue, others were instituted for security reasons or to protect public health. Others may be used primarily as a device to stabilize the price level for the benefit of consumers or small producers. This is essentially a price discrimination mechanism which differentiates price according to sensitivity of the recipient country to higher prices. STEIs also use domestic supply control policies to maintain domestic market power and control the level of product exported. The main advantages of STEIs are that their revenues may be transferred to other agricultural agencies to support domestic farm prices or subsidize consumer prices. Governments may even contribute to such funding by providing for insurance against risk for STE importers. Further, the considerable impact of STEIs on world agricultural markets means that they can have a stabilising role and contribute to food security.

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39 Ibid.
40 Ackerman, Dixit and Simone (1997)
41 Ibid.
(b) Price pooling

Price pooling allows STEs greater flexibility in export pricing relative to private grain trading companies, particularly when pool payments are underwritten by the government, or where the STE controls domestic supplies as well as exports.\(^{42}\) In this way prices are set averaged according to quality and grade of grains, times of year (marketing period), freight charges and location; the degree to which these categorizations are made determines the degree of price flexibility the STE has.\(^{43}\)

(c) Countervailing force to multinationals

STEs benefit from the financial backing of the central government, either through direct subsidies or from government guarantees that private traders do not benefit from.\(^{44}\) Moreover, STEs also enjoy tax benefits, transport subsidies, preferential foreign exchange, public utility rates, capital expansion funds, and underwriting, which give them the liberty to take more risks than a company without such financial protection.\(^{45}\)

Some export STEs may provide countervailing power to multinational trading firms and hence may improve competitive conditions in the market.\(^{46}\) Given the fact that there are a relatively small number of players in international agricultural commerce and significant barriers access, STEs provide a considerable countervailing force in such an oligopolistic market.\(^{47}\) This policy rationale is particularly applicable with respect to the world grain trade. In fact, given that this market is largely dominated by a few privately-owned multinationals, STEs are among the few effective tools that developing countries have over their grains imports.\(^{48}\)

STEs may operate on a commercial basis, have monopoly power, use the commercial practice of differential pricing, and may receive government assistance during financial difficulties, which enable them to compete.

\(^{42}\) Ibid.
\(^{43}\) Ackerman, Dixit and Simone (1997), p. 13.
\(^{44}\) Roberts (2001), p. 299.
\(^{45}\) Ibid, p. 300.
\(^{48}\) Ibid, pp. 296 and 297.
Nevertheless, by their very nature, STEs impact trade whether it is through reasonable distortions or more pronounced negative impacts. The following section discusses the negative aspects of STEs.

2.2.2 The controversy regarding STEs

There are numerous reasons why governments are apprehensive regarding the existence and behaviour of STEs when negotiating commitments to liberalize trade. Many economists argue that given the current language of GATT and its interpretation by various dispute settlement panels, STEs are a potential vehicle through which countries can evade WTO disciplines.49

For example, the government can create an enterprise that is granted a monopoly over a certain product in the domestic market, which gives the enterprise control over related imports and exports, and its decisions are hard to challenge. The transactions of such a body must be based on commercial considerations only in order to remain within the WTO disciplines. Where the entity is state controlled, its buying decision for example buying domestically for a higher price than imported items may be based on domestic or international political pressures.50 The element of government control enables the STE to be used as a protective measure by setting prices and controlling distribution.51 STEs may block market access even with instruments such as tariffs set at zero, no quotas and national treatment privileges,52 thereby offering a seemingly liberal trade environment but in fact taking protective measures behind the scenes which in effect amount to a subsidy.53 Where STEs have exclusive rights over a commodity, it can influence the price paid for a particular domestic commodity as well as controlling the distribution of imports of that commodity. Also the STE may chose to apply high prices for foreign items reducing the demand for imported goods.

51 Ibid, p. 333.
53 Ibid.
(a) Trade distortions

The trade effects from STEs have traditionally been equated to those produced by tariffs. For example, STEs that restrict imports into a country affect domestic prices in a similar way to an import tariff, while an STE that expands exports affects domestic prices in the same way as an export subsidy. As detailed above, STEs can create market distortions where they apply high prices for imports, tax domestic sales or where they subsidize or tax exports to different destinations at varying rates. Such distortions are not dealt with in GATT provisions, and counter-trade activities are therefore unregulated and unmonitored; in fact, with the exception of the Government Procurement Agreement there is no reference to countertrade in the WTO framework. Countertrade describes a situation where governments or enterprises barter and exchange products, rather than simply paying a price for goods. It involves exporters and importers negotiating reciprocal deliveries in partial or full settlement of specific exchanges. Some forms of countertrade can be accomplished through STEs or other government monopolies or regulations. Motivations for counter-trade in the international context include circumvention of foreign exchange and credit controls, hiding price cuts, satisfying governmentally imposed local content or offset requirements and surmounting barriers to otherwise closed markets. Examples are counter-purchase, offset, buyback, advance purchase and barter; in some cases, these are set up under bilateral treaty frameworks. Of course, countertrade can also be carried out by purely private enterprises in a free market context, in which case GATT may have rules that apply. Countertrade mandated by governments, however, may be inconsistent with certain GATT obligations, such as the MFN principle, or obligations prohibiting the use of quotas, or national treatment.

55 Ibid.
57 Ibid, p. 2.
60 Ibid.
(b) Inconsistencies with WTO rules and threat to competition

It was recognized that enterprises granted exclusive trading rights and privileges could circumvent liberalization commitments in a number of ways. First, STEs could circumvent the MFN principle by discriminating among trading partners in their purchasing and selling decisions, and go against the national treatment principle by discriminating against import items regarding distribution or sale. Further, their control over import and export quantities above the free trade level is inconsistent with article XI on GATT which proscribes against quantitative restrictions. Also, the imposition of mark-ups for certain items may surpass the bound tariff levels.

A fifth point is the anti-competitive effect of STEs as a result of government assistance and as well as subsidising activities on their own, particularly where their privileges enable undercutting of other suppliers. Moreover, activities which effectively amount to domestic subsidies would be beyond the reach of disciplines on domestic support as a result of the non-transparent manner in which the subsidies are provided. Domestic marketing arrangements that have been used to channel resources to farmers can also amount to an export subsidy where domestic consumer prices are higher than world prices. Domestic production expands with pooling and consumption decreasing, just like a taxpayer financed export subsidy. Pooling can occur across markets, time or commodities. It was established that if an STE has control over all exports, domestic marketing, commodity procurement, and processing, its ability to impact international markets is likely to be much greater than if it controlled a portion, or none. Finally, STEs' handling of tariff quotas remains contentious. One argument is that STEs are often less influenced by market considerations compared with firms or other commercial enterprises and may therefore have no incentive to fill the quota. Another complaint is that the STE, especially if it represents producer interests, will choose to limit the quota to lower-valued imports within that category or to pay the exporter lower prices for the good in

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64 Ibid.
67 de Gorter, Ingo and Ruiz (2003), p. 3.
question than would be paid under private market transaction. Therefore, allocating quotas to STEs can reduce market access, even with 100 percent fill rates, by discriminating across countries or choosing low-quality products. Some STEs even deliberately allocate export quotas to higher-cost exporters for political reasons, resulting in inefficiencies and inequalities.

(c) Lack of transparency

The secrecy of STEs in administering international market transactions coupled with control of domestic and export markets gives STEs the power to distort trade. The combination of the fact that STEs are not often required to provide information related to their activities, transaction prices, quality of goods or degree of government support coupled with the lack of competition for obtaining the commodities precludes the possibility of discovering prices through an open bidding process.

(d) Special concerns for importer and exporter STEs

STEs dealing with imports cover supply control and procurement through to the marketing of the item. Here the concerns focus on the extent to which the distortion or restriction on market access is created. The monopoly status of importing STEs makes it difficult to ascertain whether imports are determined by market demand (commercial considerations) or by governmental policy constraints. Examples of such discrimination include the allocation of tariff rate quotas (TRQ) or the control of grades and standards. Where the same enterprise has the capacity to influence prices and quantities traded both domestically and internationally, there is a strong possibility of concealing the true costs and returns of its activities and therefore disguising the degree of market distortion. Reforms that would reduce the monopoly power of importing STEs and increase the transparency of their operations could overcome these concerns to a degree.

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70 Ibid.
73 FAO (2002), p. 94.
Exporting STEs may control domestic marketing which enables price discrimination of foreign items, while procuring export commodities provides the STE with greater competitive leverage with domestic buyers for production. However, the real trade issues concerning STE exporters is whether or not the STEs are being used to subsidize exports or whether their exclusive power of domestic monopoly (operating as the sole purchaser of domestic production) and/or export monopoly (operating as the sole exporter of domestic supply) is used to engage in unfair trading competition.

The concerns therefore revolve around the competitive advantages gained from their special rights and privileges and their official status. Additionally, STEs may have: greater certainty regarding sources of supply as a result of their legal mandate, and thus more scope for concluding discriminatory agreements with importing countries; greater scope for predatory pricing on account of their access to short-term government subsidies; and the possibility of benefiting from discriminatory interest rates and other government subsidies. As export subsidies are already constrained by the Agreement on Agriculture, export-oriented STE activities will not significantly distort international trade, but a lack of transparency in the activities could nevertheless enable export subsidy disciplines to be circumvented.

III. CONCLUSION

In the developing world, the role of STEs is not limited to trade and market issues but extends into rural development and food security. While the role of marketing boards in developing countries tends to cover a wide scope encompassing aspects such as risk management and production inputs that are insufficiently provided by the private sector, still the impact of most developing country STEs globally on price distortion and international markets is minimal. In this way, STEs can be used to augment farm incomes and ensure a base price for commodities. The creation of formal and informal exporter and importer associations enhances the collective bargaining power of the group and increases efficiency through joint or bulk operating and handling expenses. In line with structural adjustment measures, many developing countries in Africa have shifted towards less

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76 FAO (2002), pp. 93 and 94.
government intervention in the market particularly through divestiture of parastatals towards the private sector. Although taking place earlier, Latin American reforms have also shown a change towards privatisation to a much more significant extent while the trend in Asian countries varies somewhat; in the latter case instead of privatisation, emphasis has been on increasing transparency and eliminating monopolistic practices rather than a complete withdrawal of the state. The mixed experiences of different countries with varying degrees of state involvement also renders definitive conclusions difficult to draw: "It has been argued that the reduced importance of STEs in Africa as a result of structural adjustment programmes has had an adverse impact on the availability of agricultural inputs, particularly credit, where private intermediaries have not moved in to take on the role of provider. On the other hand, wherever they have done so, as notably in Asia, their involvement has driven down margins and allowed greater returns to producers. This has been demonstrated in a number of case studies of successful agricultural development, where price transmission was found to be higher in the absence of marketing boards." 77 This highlights the danger with advocating a one size fits all global approach to the parameters of state intervention of STEs.

The foregoing suggests that where the potential of an enterprise to distort trade through its influence on the market is negligible and the privileges gained through its relationship to the government are minimal thereby not operating to negate the Agreement on Agriculture principles, these enterprises can in fact be viable under the WTO framework. Within set parameters, they can be useful to promote development, enhance food security as well as other broader implications such as natural resource management public health issues, and access to and control over investment resources.

77 Ibid.
Basic Legal Obligations

MAIN REFERENCES


**4. INTERPRETIVE ISSUES IN ARTICLE 27(3)(b) OF THE TRIPS AGREEMENT**

**Contents**

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>I.</td>
<td>INTRODUCTION</td>
<td>109</td>
</tr>
<tr>
<td>II.</td>
<td>THE NEGOTIATING HISTORY</td>
<td>112</td>
</tr>
<tr>
<td>III.</td>
<td>KEY INTERPRETIVE ISSUES</td>
<td>124</td>
</tr>
<tr>
<td>3.1</td>
<td>&quot;Plants&quot;</td>
<td>124</td>
</tr>
<tr>
<td>3.2</td>
<td>&quot;Other than micro-organisms&quot;</td>
<td>126</td>
</tr>
<tr>
<td>3.3</td>
<td>&quot;Essentially biological&quot;, &quot;non-biological&quot; and &quot;micro-biological&quot;</td>
<td>129</td>
</tr>
<tr>
<td>3.4</td>
<td>The scope and form of <em>sui generis</em> protection</td>
<td>131</td>
</tr>
<tr>
<td>3.5</td>
<td>The &quot;effectiveness&quot; condition and the scope of <em>sui generis</em> systems</td>
<td>132</td>
</tr>
<tr>
<td>IV.</td>
<td>METHODS OF PLANT VARIETIES PROTECTION</td>
<td>137</td>
</tr>
<tr>
<td>4.1</td>
<td>Plant varieties protection through patents</td>
<td>138</td>
</tr>
<tr>
<td>4.2</td>
<td>Plant varieties protection through <em>sui generis</em> systems</td>
<td>142</td>
</tr>
<tr>
<td>4.2.1</td>
<td>The UPOV system as a <em>sui generis</em> system</td>
<td>144</td>
</tr>
<tr>
<td>4.2.3</td>
<td>National Treatment in the UPOV Acts and the TRIPS Agreement</td>
<td>154</td>
</tr>
<tr>
<td>4.3</td>
<td>PVP through a combination of patents and <em>sui generis</em> systems</td>
<td>156</td>
</tr>
<tr>
<td>V.</td>
<td>IMPLEMENTATION</td>
<td>157</td>
</tr>
<tr>
<td>5.1</td>
<td>Obligations created by article 27(3)(b)</td>
<td>158</td>
</tr>
<tr>
<td>5.2</td>
<td>The mechanics of implementation</td>
<td>159</td>
</tr>
<tr>
<td>5.3</td>
<td>General obligations of particular relevance to implementation</td>
<td>160</td>
</tr>
<tr>
<td>5.3.1</td>
<td>The issue of transition periods</td>
<td>160</td>
</tr>
<tr>
<td>5.3.2</td>
<td>Complying with the non-discrimination requirement</td>
<td>162</td>
</tr>
<tr>
<td>5.3.3</td>
<td>Complying with the notification procedures</td>
<td>163</td>
</tr>
<tr>
<td>VI.</td>
<td>SUMMARY AND CONCLUDING THOUGHTS</td>
<td>163</td>
</tr>
<tr>
<td>MAIN REFERENCES</td>
<td>165</td>
<td></td>
</tr>
</tbody>
</table>
I. INTRODUCTION

The primary objective of the TRIPs Agreement is the removal of any trade-restrictive domestic intellectual property measures. Such measures could be laws, regulations, policy positions or their manifest implementation through administrative action. Article 6(2) of the Dispute Settlement Understanding states that any complaining party should "identify the specific measures at issue and provide a brief summary of the legal basis of the complaint sufficient to present the problem clearly." In WTO law, a "measure" usually refers to some type of governmental action, although the Appellate Body has held that certain private actions could be attributable to governments. In the Japan – Agricultural Products II case, the Appellate Body interpreted the term 'measure' (in relation to Annex B of the SPS Agreement) by listing examples of 'measures' to include "laws, decrees and ordinances". In its preambular language, the TRIPS Agreement calls on all WTO members to provide "effective and adequate" intellectual property rights (IPRs), and to ensure that these IPRs do not amount to trade restrictions in and of themselves. Article 27(1) in particular compels WTO members to create domestic legal frameworks that allow for patent protection of inventions from all fields of technology as long as they meet the basic substantive conditions for patentability: that is, the inventions must be novel, involve an inventive step and be capable of industrial application. These three criteria are not defined in the TRIPS Agreement, and thus their precise meaning is left to each WTO member.

Articles 3 and 4 of the TRIPS Agreement require WTO members not to employ discriminatory measures against IPRs-holders based on their country of origin, on the field of technology of the invention or on whether the resulting products are local or foreign. Non-discrimination, that is national treatment and MFN treatment, is not unique to the TRIPS Agreement, but rather is one of the very central pillars of the international trading system. The interpretation of when a measure flouts the non-discrimination rule in

4 According to Watal, no effort was even made to arrive at a definition or harmonization during the Uruguay Round negotiations. Watal, J. 2001. Intellectual property in developing countries, p. 90. Kluwer Law International (hereafter Watal (2001)).
WTO law is anything but easy. It is an issue that panels and the Appellate Body have struggled with despite the long history of the provision and its importance particularly in the area of trade in goods. Regarding IPRs, it has also been the subject of panel decisions. In the *Canada–Pharmaceutical Patents* case, the panel was emphatic that "discrimination" in article 27(1) is a negative term whose meaning goes beyond simple "differentiation" between national and foreign IPRs protection or their beneficiaries. The message that the panel was putting across was therefore that a WTO member that wishes to use a discriminatory or IPRs "differentiation" measure, can do so as long as there is a legitimate regulatory reason. Put simply, the panel wanted to be clear that regulatory policy space is not constrained by the requirement for non-discriminatory policies. The impact of WTO agreements on domestic regulatory policy space has long been a concern for developing countries. Recently however, it has been raised more emphatically, and is increasingly linked to the concept of special and differential treatment.

Beyond the bold call for patent protection in article 27(1) of the TRIPS Agreement, some exceptions exercisable at the option of WTO members, are provided. Article 27(2) excludes "inventions, the commercial exploitation of which might be contrary to *ordre public* or morality." Article 27(3)(a) excludes "diagnostic, therapeutic and surgical methods for the treatment of humans or animals" while article 27(3)(b) excludes plants and animals but with many significant qualifications and exclusions, which shall be subsequently discussed. It leaves it up to the individual WTO members to decide which of the options to exercise. Should they choose, they may exclude all or some of the identified materials from protection. This 'option flexibility' was included in the TRIPS Agreement in recognition of the differences in domestic legal systems regarding what is or is not excluded.

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7 The TRIPs Agreement does not define the term *ordre public*. See Arckermann, T.G. Disordered loopholes: TRIPs patent protection, GATT and the ECJ. *Texas International Law Journal* 32: 489 and 495 (stating that *ordre public* originated in French law and is related to the concept of public policy). See also, Otieno-Odek, J. 1995. Public domain in patentability after the Uruguay Round: a developing country’s perspective with specific reference to Kenya. *Tulsa Journal of International and Comparative Law* 4(15): 28 (in which the author refers to the imprecise nature of *ordre public*).
from protection. United States patent law for example grants protection to "whoever invents or discovers any new and useful process, machine, manufacture, or composition of nature, or any new and useful improvement thereof." This broad scope may be contrasted with that found in Europe. Articles 52 and 53 of the European Patent Convention expressly exclude from protection any "discoveries, methods of human treatment, inventions the exploitation of which would be contrary to morality, and plant and animal varieties."

By way of article 27(3)(b), most developing countries committed themselves to an entirely novel set of IPR obligations because the vast majority of them did not provide for a system of plant varieties protection prior to the coming into force of the WTO Agreement. As evident from the incorporation of a review sub-clause in article 27(3)(b), they anticipated the challenges ahead particularly because of the absolute "shall" requirement in the provision as well as the relatively short implementation periods required. It was foreseeable first, that in their haste to comply, on the pain of trade sanctions, developing-country WTO members that did not have such an IPRs system may have been compelled to adopt systems of protection that were against their prospects and priorities in enhancing agricultural productivity, food security and other national policy interests. Secondly, given the key players that had been involved in the negotiations and the underlying business interests, it was not difficult to imagine a situation where developing countries in particular would be under pressure to borrow or be compelled to follow legislative models from their more developed trading partners, or ratchet up the level of protection afforded beyond that required in the

9 See 35 USC § 101.
TRIPS Agreement. Now, with the wisdom of a decade's experience in implementing TRIPs, all of these concerns have indeed come to pass.

This chapter concentrates its analytical focus on article 27(3)(b) of the TRIPS Agreement, and in particular, the precise dimensions of the obligations which that provision creates when it clarifies that only plant varieties, as a category of protectable material, cannot be excluded from protection. Although a lot has been written about the scope, interpretation and options in the implementation of article 27(3)(b), somehow tremendous confusion still remains, particularly among developing countries, regarding the precise nature of obligations created by that provision. Further, the nature of the exceptions, and the implementation and interpretive flexibilities that they give rise to have not been fully brought home to developing countries. To date, much of the discussion is cast in absolutes, which does not allow developing country policy makers to actually come to terms with what flexibilities they have, as a result of the language in that provision. This chapter attempts to fill this gap.

II. THE NEGOTIATING HISTORY OF ARTICLE 27(3)(b)

It is unclear when exactly the issue of plant varieties protection entered into discussions during the Uruguay Round. Granted, developed countries (but most particularly the United States) wanted the negotiations to comprehensively address all aspects of intellectual property rights. Implicitly, at least according to the United States, plant varieties protection was therefore on the agenda from the beginning. The European Community was also supportive of a broad scope for IPRs coverage saying that "the goals of the [Uruguay Round Negotiating Group on Trade-Related Aspects of Intellectual Property Rights Including Counterfeit Goods] should apply to all intellectual property rights, in particular patents, trademarks, industrial designs, indications of source and appellations of origin, plant varieties, copyright and neighbouring rights as well as new forms of intellectual

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13 See for example, Stewart, T. 1993. *GATT Uruguay Round: a negotiating history*, p. 573. Aspen. Publishing. (quoting remarks of the representative of the Dominican Republic upon the conclusion of the TRIPs Agreement who was urging "other developing countries to resist bilateral pressure to increase the scope of protection of industrial property rights beyond their TRIPs obligations voluntarily but to use further advances as bargaining chips to extract concessions from developed countries.")

property."\(^{15}\) The US had also suggested that "annexes to a GATT agreement should include standards for the protection of all forms of intellectual property rights."\(^{16}\) It is also noted that "some participants" in the TRIPS and counterfeit goods negotiating group had suggested that "the group should adopt the working hypothesis of a broad coverage of rights."\(^{17}\) These "participants" included Japan\(^ {18}\) and Canada.\(^ {19}\) As stated previously, the US and Europe, unlike much of the developing world, had had robust and long-running domestic debates on the need for, and implications of such a system, and therefore had the benefit of clear negotiating priorities; and in the case of the United States, strong support from the private lobby.\(^ {20}\)

Given the 'single-comprehensive-package' on IPRs approach insisted upon by the major players in the Uruguay Round negotiations, it is not possible to highlight the negotiating history of article 27(3)(b) completely de-linked from the rest of the TRIPS Agreement. The genesis of the TRIPS Agreement as a whole has been extensively addressed elsewhere in relevant literature.\(^ {21}\) It is therefore unnecessary to go into the finer details, save to mention that initial motivation for an international agreement on trade related IPRs has been traced to the issue of trade in counterfeit goods in the waning years of the Tokyo Round.\(^ {22}\) During the Tokyo Round negotiations, this had emerged as

\(^{15}\) Submission by the European Communities to the Negotiating Group on Trade Related Aspects of Intellectual Property Rights Including Counterfeit Goods, p. 2. GATT Doc. MTN/GNG/NG11/W/16 (emphasis added).

\(^{16}\) Submission by the United States to the Negotiating Group on Trade Related Aspects of Intellectual Property Rights, Including Counterfeit Goods, p. 5. GATT Doc. MTN/GNG/NG11/W/14 (emphasis added).


\(^{19}\) Submission by Canada, GATT Document MTN/GNG/NG11/W/42.


a serious obstacle to trade.\textsuperscript{23} Although no agreement was reached on the formulation of rules, Matthews notes that the United States and the European Union continued their efforts which eventually yielded a draft agreement aimed at discouraging the importation of counterfeit goods.\textsuperscript{24} The draft agreement did not receive support from other GATT contracting parties. Yet, as Matthews further notes: "it was this absence of an international consensus to support the draft that paradoxically provided the stimulus for US businesses to overcome the perceived lack of evidence of infringements, and which galvanised corporate interests to support the common aim of getting intellectual property protection on the agenda for the subsequent Uruguay Round of GATT negotiations."\textsuperscript{25}

At the 1982 GATT ministerial meeting to address issues that had been left outstanding from the Tokyo Round,\textsuperscript{26} developing countries led by India and Brazil opposed the United States proposal for further negotiations particularly on the issue of trade in counterfeit goods.\textsuperscript{27} Developing countries contended that the World Intellectual Property Organization (WIPO) was the right place for intellectual property issues.\textsuperscript{28} Upon the conclusion of the conference, the agreed text of the Ministerial Declaration however requested the GATT Director General to hold consultations with the WIPO leadership on the issue of counterfeit goods. The consultations continued until 1984, when even with the formation of an expert group within the GATT on the issue, it became clear that developing countries were too strongly opposed for it to gain approval.\textsuperscript{29} Subsequent attempts at WIPO, a forum in which developing countries were numerically strong, were also shot down. In frustration, the US business sector, resorted to exerting pressure on the US government to in turn use its clout in bilateral negotiations to improve IPRs protection.

\textsuperscript{23} For an extensive analysis of the entire issue of trade in counterfeit good, see Sodipo, B. 1997. Piracy and Counterfeiting: GATT TRIPs and Developing Countries. Kluwer.

\textsuperscript{24} Matthews (2002), p. 9.

\textsuperscript{25} Id.


\textsuperscript{27} Croome (1995), p. 16.


\textsuperscript{29} Bellman, Dutfield and Mendelez-Ortiz (2003), p. 24.
Also during this period, the GATT dispute United States – Imports of Certain Automotive Spring Assemblies\textsuperscript{30}, linked to patents and a general exclusion order of patent-infringing products, served to increase the profile of the issue of IPRs. This was the first time a specific case of patent infringement involving GATT, article XX(d) had been brought before the GATT. GATT, article XX(d) provides that:

"Subject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or a disguised restriction on international trade, nothing in this Agreement shall be construed to prevent the adoption or enforcement by any contracting party of 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 patents, trade marks and copyrights, and the prevention of deceptive practices."

In this case, the United States International Trade Commission (ITC), because of a finding of patent infringement, had issued an order directing that imports of certain automotive spring assemblies from all foreign sources be excluded from entry and sale in the United States for a period of time.\textsuperscript{31} Canada challenged the legality of the measure, arguing that the United States had not met the 'necessity' criteria in GATT, article XX(d). The panel found that the general exclusion was not in violation of GATT and therefore ruled in favour of the US. This dispute placed the whole question of IPRs on the discussion agenda. In one sense it worked in favour of the countries that were proposing the inclusion of disciplines on counterfeit goods in the GATT framework, and also widened the scope beyond counterfeit goods and into IPRs more broadly.\textsuperscript{32}

In preparatory work for the Uruguay Round of negotiations, the GATT Council in 1985 asked the committee that was identifying issues for the

\textsuperscript{31} The exclusion order followed a determination by the ITC that imports from and sales by a Canadian firm constituted a violation of section 337 of the United States Tariff Act of 1930.
\textsuperscript{32} Croome (1995), p. 16.
negotiations to take into account the failed counterfeit goods initiative.\textsuperscript{33} The United States proposed that instead of only focusing on counterfeit goods, all IPRs should be included in the negotiations, amidst opposition from developing countries who insisted that the GATT was an inappropriate forum for negotiations on IPRs.\textsuperscript{34} Separate proposals were submitted on the issue to the Punta del Este ministerial meeting, including those by Brazil and Argentina, opposing the inclusion of IPRs on the agenda of negotiations.\textsuperscript{35} The Swiss-Colombian proposal eventually carried the day at the Punta del Este ministerial.\textsuperscript{36} Consequently, the Punta del Este Ministerial Declaration of 1986, which launched the Uruguay Round negotiations included trade-related aspects of intellectual property rights as a negotiating issue.\textsuperscript{37} It stated, in the relevant part, as follows:

\begin{quote}
Trade-related aspects of intellectual property rights, including trade in counterfeit goods

"In order to reduce the distortions and impediments to international trade, and taking into account the need to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade, the negotiations shall aim to clarify GATT provisions and elaborate as appropriate new rules and disciplines.

Negotiations shall aim to develop a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods, taking into account work already undertaken in the GATT.

These negotiations shall be without prejudice to other complementary initiatives that may be taken in the World Intellectual Property Organization and elsewhere to deal with these matters."
\end{quote}

\textsuperscript{33} Matthews (2002), p. 9.
\textsuperscript{34} Id.
\textsuperscript{35} Id.
\textsuperscript{36} Croome (1995), p. 31.
\textsuperscript{37} See Ministerial Declaration on the Uruguay Round, pp. 7 and 8. GATT Doc. No. MIN.DEC (20 September 1986)
With the commencement of the Uruguay Round, GATT contracting parties submitted proposals on the issue of IPRs. The first proposals by several developed countries, including the United States and Japan, aimed at achieving a significantly broad patent coverage for plants and living organisms. In a compilation of written submissions and oral statements prepared by the GATT Secretariat in 1987 for the Negotiating Group on Trade-Related Aspects of Intellectual Property Rights Including Counterfeit Goods, it is reported that some participants expressed concern about the "lack of patent or other protection in many countries for biotechnological inventions [and that] in this connection, reference has been made to the absence of protection for plant breeders' rights in some countries or differences in the systems of law under which they are protected (specific legislation or patent law)." Hence, the primary objective for the demandeurs in the negotiating group at this very early stage in the Uruguay Round seems to have been the need for enhanced breeders' rights, and the need to fill in the gaps in domestic law to enable stronger protection for biotechnological inventions. On the whole, developing countries were unsympathetic to the broad coverage approach taken in the negotiations. They insisted that the role of the Negotiating Group should be circumscribed and that its work "must not interfere with, or intrude upon, the work of WIPO and all other relevant organizations on all aspects of intellectual property rights." In addition, they insisted on a narrower reading of the mandate for the group stating that a set of multilateral principles or agreement was envisaged only with respect to trade in counterfeit goods. Referring to the negotiating objectives of the group, as stated in the Punta del Este ministerial document, they:

"... also emphasized the distinction between the first and second paragraphs of the negotiating objective. Only the second paragraph, concerning international trade in counterfeit goods, spoke of a multilateral framework of principles, rules and disciplines. The objective in this paragraph was qualitatively

different from that in the first paragraph and this underlined the need for these two specific aspects of the group's work to be kept separate. The primary purpose of the first paragraph was to clarify existing GATT provisions and it had to be approached from this angle. The purpose of the GATT provisions as they related to intellectual property was not to protect intellectual property or to enforce intellectual property rights but to ensure that action avowedly taken for these purposes did not in reality distort or impede international trade by constituting a disguised restriction on trade or a means of discrimination. It also had to be borne in mind that there was an underlying conflict between the protection of intellectual property, which involved the restriction of trade, and the basic objective of the General Agreement which was to liberalize trade. For these reasons, the group should consider trade distortions or impediments arising from excessive or discriminatory enforcement of intellectual property rights, but it was not its function to consider whether the rights granted were themselves sufficient; this was a matter for national governments.42

A proposal by Thailand, perhaps more than any other at this early stage by a developing country, was most forceful in its articulation of the narrow scope of the mandate of the Negotiating Group. The Thailand representative stated in oral remarks that "The motives and objectives of some contracting parties in proposing wider coverage including the establishment of international norms and standards of intellectual property protection went beyond the intent and spirit of the Ministerial Declaration at Punta del Este" and further that "As GATT dealt with the liberalisation of international trade in goods as they crossed national boundaries, the scope of negotiations should be confined to issues related to enforcement of IPRs at the border."43 Thailand's position has since changed, however.

An early proposal by the European Community on guidelines and objectives for the Negotiating Group44 was extensively discussed in the meeting of the

42 Ibid, pp. 13 and 14.
44 Submission by the European Communities, GATT Doc. MTN/GNG/NG11/W/26.
Negotiating Group on 5–8 July 1988. During this meeting, discussions focused on among other issues, the question of what constituted patentable subject matter. In its proposal, the EC had included plant and animal varieties as exceptions to the general rule on patentability, much as it is in the European Patent Convention and as it turned out to be later on in the early drafts of the TRIPS Agreement. The proposal by Japan had also excluded "plants and general biotechnology issues" from patentability with inspiration being drawn from relevant Japanese law. In Japan at the time, plant varieties were protected by a special type of right under the "Law on Seeds and Seedlings" established in accordance with the UPOV Convention. This 'exclusion approach' adopted by the major players in the negotiations was not without controversy. It is reported that one participant "believed that the exclusion of plant or animal varieties and of essentially biological processes was inappropriate, and another participant asked the reasons for these exclusions." Switzerland argued differently, emphasizing that "no field of technology should be excluded per se from patentability, what determined whether a subject matter is patentable was its technical character." However, Switzerland did acknowledge "the possibility that special correctives or demarcations might be necessary in specific areas [and an] example was plant varieties." Intense discussions followed on the whole question of patentability of plants and plant varieties. The record notes:

"A participant was concerned about proposals for the exclusion of potentially valuable areas such as plant and animal varieties, as had been suggested in the Community's submission. Experience in his country had shown that the granting of patents to plants

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45 Submission by the European Communities, GATT Doc. MTN/GNG/NG11/W/26, section III.D.a(i).
48 Id.
51 Id., p. 24.
and more recently to animal varieties had spurred a virtual explosion in research in these areas on account of the provision of appropriate incentives. It was asked of the Nordic and European Community submissions if the exclusion of plant varieties meant that the only form of protection for them would be that provided for in the UPOV Convention. The representative of Norway said that the Nordic proposal on this matter was drawn from the Strasbourg Convention and article 53 of the European Patent Convention. Responding to another question, the representative of Norway confirmed that the exception proposed in the Nordic paper for human beings was covered by that relating to animal varieties; it was considered necessary to specify it separately in order to avoid any possible doubts of interpretation that could arise.52

Developing countries were strongly opposed to patent protection over plants and plant varieties.53 They viewed it as an issue that would unfairly prejudice their agricultural potential. The proposal by Peru, drawing from experience with the implementation of the relevant Andean Legislation, emphasized that the "protection of IPRs had mainly served the interests of transnational corporations and had had undesirable effects on developing countries."54 In discussions of the Peruvian proposal, it was stated that:

"... biotechnological developments did not meet the requirements of patentability; the isolation of a gene of an animal species or plant variety was not an invention but a discovery of a pre-existing phenomenon. He was concerned that the protection of biotechnological developments could generate a conflict of interest within companies which at the same time produced for example pesticides and discovered plant varieties resistant to those pesticides. The patenting of biotechnological inventions could help such companies to maintain a dominant position and make more difficult the exchange of species between developed and developing countries."55

52 Id, p. 24, para. 79.7.
53 See for example Submission by India, GATT Doc. MTN/GNG/NG11/W/39.
54 Submission by Peru, GATT Doc. MTN/GNG/NG11/W/45.
Some developing countries also took the view that an express requirement for plant varieties protection would go beyond what was necessary in a TRIPS agreement in order to fulfil the group’s mandate of encouraging the fullest possible participation in the results.56 In discussions before the Mid-term Review of the negotiations, developing countries were still strongly opposed to the issue of plant varieties protection. The *Chairman’s Report of the Work in the Negotiating Group*, including a "simplified draft composite text" of a possible agreement on TRIPS, was circulated in July 1990.57 The document, in true GATT tradition, was submitted exclusively on the chairman’s responsibility and did not commit any delegation. It had a number of other caveats that were reflective of the divisions among the participants. It was not presented as having been agreed by all participants or even by all those participants who associated themselves with it, because none of its contents was the subject of agreement; nor did it limit the scope for participants to raise points in the further negotiations. The Chair emphasized that the report was not being presented as a draft agreement, but simply as a compilation of the options for legal commitments under examination in the group and therefore as a basis for further negotiation. In a meeting in late 1990 discussing the language of what had by then materialized as a possible article 27 as found in the Chair’s Report, a developing countries’ representative is reported to have said:

"With respect to article 27, he said that no exclusive rights of importation should be granted. As regards, part II, section 5, patents, he reaffirmed the vital importance to developing countries of the possibility of exclusion of certain products and processes from patentability on grounds of public interest, health or nutrition as provided in article 28. The reference to plant variety rights in paragraph 4A of that article was inappropriate and out of place, since plant variety rights were a distinct *sui generis* category of rights regulated by a separate convention. They bore no relationship to patents and should therefore be removed from the relevant section."58

Despite all the discussions and attempts at consensus, the Brussels Draft Text of December 1990 reflected significant differences amongst GATT contracting parties regarding the issue. It was heavily bracketed and stated in part that parties could exclude from patentability:

"[b) A. Animal varieties [and other animal inventions] and essentially biological processes for the production of animals, other microbiological processes or the products thereof. PARTIES shall provide for the protection of plant varieties either by patents or by effective sui generis system or by a combination thereof. This provision shall be reviewed [...] years after the entry into force of this Agreement.]
[b) B. Plants and animals, including micro-organisms, and parts thereof and processes for their production. As regards biotechnological inventions, further limitations should be allowed under national law."

The Dunkel Draft Text, 20 December 1991, provided as follows:

"27.3. Parties may also exclude from patentability:
(a) diagnostic, therapeutic and surgical methods for the treatment of humans or animals;
(b) plants and animals other than micro-organisms, and essentially biological processes for the production of plants or animals other than non-biological and microbiological processes. However, parties shall provide for the protection of plant varieties either by patents or by an effective sui generis system or by any combination thereof. This provision shall be reviewed four years after the entry into force of this Agreement."

There were serious misgivings on the language regarding plant varieties in the Dunkel Draft. Indian negotiators, themselves under intense pressure from the farming community in India were strongly opposed to the language in the draft. They expressed concerns that farmers would be forced to pay royalties to monopolistic multinational seed companies. Indian farmers are reported to have ransacked the offices of one such company in India and termed "unreasonable" any payment of royalties, for example on varieties that had

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60 Id.
taken them years to adapt and perfect to their climatic and soil conditions. India finally agreed to support the draft text with its requirement for compulsory plant varieties protection because of the ten-year implementation period, and the option for a ***sui generis*** form of protection.

The *Uruguay Round Final Act* of 15 April 1994 stated as follows:

"27.3. Members may also exclude from patentability:
(a) diagnostic, therapeutic and surgical methods for the treatment of humans or animals;
(b) plants and animals other than micro-organisms, and essentially biological processes for the production of plants or animals other than non-biological and microbiological processes. However, members shall provide for the protection of plant varieties either by patents or by an effective ***sui generis*** system or by any combination thereof. The provisions of this subparagraph shall be reviewed four years after the date of entry into force of the WTO Agreement."

Hence, the provision on plant variety protection was strenuously opposed by developing countries, but survived in the *Final Act* virtually unchanged. The country that had the most leverage to influence a change in the three years between the Dunkel Draft and the Final Act - India - balked at the chance, upon agreement that there would be a ten-year transition period, and the relatively flexible ***sui generis*** language. Whether this move was ill-advised given the tremendous pressure that India has come under in its implementation is an open question. On April 4, 2005, the President of India signed into law the *Patents (Amendment) Act*, 2005 which in substance negates India's opposition, and brings it into compliance with the TRIPS Agreement, including the plant patents provisions.

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61 Id.
63 Ibid, p. 572.
64 *Patents (Amendment) Act*, No. 15 of 2005.
III. SOME KEY INTERPRETIVE ISSUES RAISED IN ARTICLE 27(3)(b)

The questions that lawyers and negotiators have grappled with regarding article 27(3)(b) over the decade in which the TRIPS Agreement has been in force are many and varied. The most fundamental ones, in terms of legal analysis are: exactly what are the elements of this provision? What precise obligations do those elements invite? In other words, what possible interpretive options are discernible from the language of article 27(3)(b)? As stated, article 27(3)(b) allows WTO members to exclude from patentability:

"plants and animals other than micro-organisms, and essentially biological processes for the production of plants and animals other than non-biological and microbiological processes. However, members shall provide for the protection of plant varieties either by patents, or by effective sui generis systems, or by any combination thereof. The provisions of this subparagraph shall be reviewed four years after the date of entry into force of the WTO Agreement."

3.1 "Plants"

Besides the unequivocal requirement to protect micro-organisms and plant varieties, the language of article 27(3)(b) is highly ambiguous, and theoretically open to as many interpretations as there are WTO members.

First, let us consider the interpretive difference between "plants" and "plant varieties" in article 27(3)(b). The provision distinguishes between "plants" which WTO members "may" exclude from patentability in general, in accordance with the first sentence of article 27(3)(b) and "plant varieties" for which a mandatory requirement for protection applies. Unfortunately, the TRIPS Agreement does not define either of the terms. "Plants" is fairly straightforward in the sense that it refers to anything that biologically belongs to the plant kingdom. "Plant varieties" on the other hand demands a more nuanced interpretation. Helpful guidance may be found in biological dictionaries:

'Plant variety' means any plant grouping within a single botanical taxon of the lowest known rank, which grouping, irrespective of whether the conditions for the grant of a plant variety right are fully met, can be: (a) defined by the expression of the characteristics that results from a given genotype or combination of genotypes, (b) distinguished from any other plant grouping by the expression of at least one of the said characteristics, and (c) considered as a unit with regard to its suitability for being propagated unchanged. A species is defined as a group of interbreeding individuals not normally able to interbreed with other such groups and subdivided into subspecies, races and varieties. A race is a group of individuals within a species which forms a permanent and genetically distinguishable variety while a variety is a taxonomic group below the species level. Further, that varieties are variances or deviations from the mean”.

Most importantly for present purposes, guidance can also be found in the 1991 UPOV Convention, which was drafted more or less during the final phase of the negotiations on the TRIPS Agreement. According to its article 1(vi), a "plant variety" means:

"a plant grouping within a single botanical taxon of the lowest known rank, which grouping, irrespective of whether the conditions for the grant of a breeder's right are fully met, can be defined by the expression of the characteristics resulting from a given genotype or combination of genotypes; distinguished from any other plant grouping by the expression of at least one of the said characteristics and; considered as a unit with regard to its suitability for being propagated unchanged."

The essence of this definition may be narrowed down to the description of a plant variety as a "grouping" of plants with certain consistent differentiating characteristics when reproduced either by seeds, sexually or by asexual means, for example through cuttings, layering and grafting.67 The ICTSD - UNCTAD Resource Book on TRIPS gives the easily accessible explanation of a plant variety as being the "technical modification of a naturally existing plant" and

further that "plant varieties" differ from "plants" in the sense that the former have undergone some technical intervention ... whereas plants have not.68

This definition is significant because it has a direct impact on the scope of obligations that WTO members have to implement. Considering the use of "may" in the first line of article 27(3)(b), meaning that there is a choice whether or not to make plants and animals patentable, it is only proper for members to understand the dimensions of their flexibility. Second, what does or does not constitute a plant variety is all the more important in determining what to protect. If a member defines plant varieties too narrowly, and imposes a measure on another trading partner, or in some way infringes on the concessions of another, the definition would form a central point of contention in a dispute.

3.2 "Other than micro-organisms"

Article 27(3)(b) states that WTO members can exclude from patentability "plants and animals other than micro-organisms". This means that although WTO members have the option of excluding plants and animals from patentability, an option they are free to exercise if they choose as indicated from the operative "may," micro-organisms must be protected through patents. Again, unlike the requirement to protect plant varieties in which patents are just one of three options, the provision requires micro-organisms to be protected by patents.

But what exactly are "micro-organisms" in the context of article 27(3)(b)? As it has become the practice in the WTO Appellate Body's interpretive approach where the ordinary meaning of a term is to be considered first, let us examine the possibilities of what the term "micro-organism" would mean. According to the Concise Oxford Dictionary, a "micro-organism" is one that cannot be visualized without the use of a microscope or some form of magnification. Hence, "micro-organism" as a term has no taxonomic meaning but is rather a reference to the size of the 'organism'. Such organisms would include the taxonomical groupings of bacteria, fungi, algae, protozoa and viruses. The definition has however elicited controversy, mainly hinging on the fact that as in most other definitions, there is no real consensus on what micro-organisms would mean to a diverse body of membership such as the WTO.

68 Id.
According to Watal, the various definitions diverge at the point where some view "micro-organism" as any microscopic or ultramicroscopic organism while others limit the definition exclusively to unicellular organisms. Simply saying, as the ordinary meaning suggests, that they are organisms that are not visualized unaided by magnification is indiscreet, and therefore open to unlimited inclusions, which is a potentially serious problem with the pace of advances in molecular science. Such a definition may for instance include genes, which are also not visible to an unaided eye, and which are of significance in agriculture and are already subject to patentability in some jurisdictions. If the practice at the European Patent Office is anything to go by, the EC as a WTO member would conceivably take the view that the term "micro-organism" could include multi-cellular material for example plants, animals, plasmids and even viruses.

The "scientific definition", for example in biological dictionaries, which limits micro-organisms to those belonging to the five taxonomic classes mentioned earlier has been preferred by some developing-country commentators such as Correa and Mangeni for its narrowness. However, this position may not necessarily serve the purposes of diplomatic negotiations. The objective should not simply be to take as narrow a definition as possible – although it would probably be the best way of ensuring that unintended ground is not covered, hence broadening obligations. Rather, the objective should be a careful evaluation of the potential scientific, agricultural or medical limitations that may arise as a result of certain microscopic life being included within the definition, an analysis that would be best informed by science policy.

In interpretation of the possible meaning of "micro-organism" it is also worth remembering that the language of the provision is drawn largely from article 53(b) of the European Patent Convention, and as Watal has suggested, it is inevitable to take into account current practice in the

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countries that are party to that convention.\textsuperscript{74} Having said that however, as there is no definition of the term in the TRIPS Agreement, the presumption would be that WTO members have flexibility in formulating their own definitions for purposes of implementation, as long as those definitions could be defended against the rest of WTO membership.\textsuperscript{75} This is where a careful evaluation of the potential scientific, agricultural or medical limitations of any definition being considered would be imperative.

Having considered the definition, and the possible impact on the scope of obligations that it would engender, let us now turn to the related question whether micro-organisms should be patentable.\textsuperscript{76} The question whether or not to patent life-forms as they exist in nature, or at all, has its core in the ethical realm, which is beyond the scope of this chapter.\textsuperscript{77} In its submission to the TRIPS Council, the United States has stated that a micro-organism should not be patented if it remains only as it exists in nature.\textsuperscript{78} Article 53(b) of the European Patent Convention on the other hand, allows the patenting of micro-organisms as they exist in nature, as long as the discovery of their existence is novel to the public and includes a characterization of their structure.\textsuperscript{79} Article 53(b) excludes the patenting of "plant and animal varieties" or "essentially biological processes" for their production, allowing only "micro-biological processes and the products thereof."

\textsuperscript{74} Watal (2001), p. 132 (noting that the European Patent Office recognizes cells and parts thereof as micro-organisms).
\textsuperscript{75} Id. (stating in addition that those definitions adopted should be "reasonable").
\textsuperscript{78} See UNCTAD-ICTSD, TRIPS Resource Book, p. 53.
\textsuperscript{79} See, the European Directive on Biotechnological Inventions which states at article 3(2) that "biological material which is isolated from its natural environment or processed by means of a technical process may be the subject of an invention even if it already occurred in nature."
3.3 "Essentially biological", "non-biological" and "micro-biological" processes

Article 27(3)(b) says that WTO members may exclude from patentability "... essentially biological processes for the production of plants and animals other than non-biological and microbiological processes ...". This means that "biological processes" may be excluded but "non-biological processes" and "micro-biological processes" cannot. The key issue here turns on the difference between "essentially biological processes" and the other two processes. This differentiation is baffling to commentators. According to Watal, "it is not clear how "micro-biological" processes differ from "essentially biological" ones." As included in the Strasbourg Convention of 1963, "essentially biological processes" referred "only to the normal, or traditional, breeding activities of plants and animals." Such processes were not to be patented as they lacked the requisite technical character necessary for their protection. With scientific advances and human ability to influence even naturally occurring biological processes, the definition underwent some reinterpretation in Europe. Hence according to the European Patent Office, "whether a non-microbiological process is to be considered essentially biological depends on the extent of human intervention, the result achieved thereby, and the essence of the invention." This means that "essentially biological processes" are only those that take place entirely without human intervention.

In sum, the implications of the above distinctions is that certain "micro-biological" processes are patentable while those that fall in the category of "essentially biological processes" would not be patentable. "Non-biological" processes on the other hand are indicative of human involvement, that is, a process that would otherwise not take place without the input of human scientific capacity. Article 2 of the European Directive on Biotechnological Inventions seems to lend credence to this view as it states that "essentially

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80 The UNCTAD-ICTSD Resource Book on TRIPs, p. 54.
"biological" processes are natural phenomena while micro-biological processes involve some external intervention on microbiological material.\textsuperscript{87} According to the Guidelines for Examination of the European Patent Office, the patentability of "essentially biological processes" is predicated on the extent to which technical scientific intervention has been injected into the process.\textsuperscript{88} The explanation given to examiners regarding rule 23.b(5) is as follows:

"A process for the production of plants or animals is essentially biological if it consists entirely of natural phenomena such as crossing or selection. To take some examples, a method of crossing, inter-breeding, or selectively breeding, say, horses involving merely selecting for breeding and bringing together those animals having certain characteristics would be essentially biological and therefore un-patentable. On the other hand, a process of treating a plant or animal to improve its properties or yield or to promote or suppress its growth e.g. a method of pruning a tree, would not be essentially biological since although a biological process is involved the essence of the invention is technical; the same could apply to a method of treating a plant characterised by the application of a growth-stimulating substance or radiation. The treatment of soil by technical means to suppress or promote the growth of plants is also not excluded from patentability."

If technical scientific intervention is central to the process, then it can qualify for patent protection. Processes in which such intervention is limited, for example as is the case in conventional plant breeding methods, would not qualify for patent protection; whereas in contrast, methods of modern biotechnology such as genetic engineering and tissue culture, would qualify.\textsuperscript{89}

The upshot of these unclear and overly technical definitions is that developing countries are justifiably wary. Depending on scientific manoeuvring, the scope of obligations could include the requirement for patentability of genes, perhaps as micro-biological process, an eventuality that is certainly ill-advised on a global scale.

\textsuperscript{87} European Council Directive, article 2.
\textsuperscript{89} UNCTAD/ICTSD Resource Book, p. 54.
3.4 The scope and form of *sui generis* protection

Although the provision requires WTO members to provide for a system of plant varieties protection either by patents, *sui generis* systems or some combination of the two, it does not give an indication neither to the form the system of protection should take, nor does it define the scope or extent of such protection. This means that it is unclear whether WTO members should provide protection for all plant varieties or whether they can exclude some from such protection and still meet their TRIPS obligations. Reading this provision *in tandem* with the "TRIPS-as-a-minimum-standard" provision in article 1, and especially depending on the meaning one attaches to the term "extensive", might lead one to conclude that in fact, developing countries need only to be imaginative in the laws they craft in order to benefit from further flexibilities in their obligations.

As stated in article 1, WTO members can "implement in their law more extensive protection than is required ... provided that such protection does not contravene the provisions of this agreement." Without going into the scope or definitional dimensions involved, all that article 27(2) says is that a patentable invention should be new, involve an inventive step and be capable of industrial application. Hence, in a desire to protect their plant varieties, any developing country that chooses the patent route for protection will make it significantly more difficult to meet the criteria of patentability for plant varieties. That way, they can lock out the possibility that new strains arising from basic innovation around certain strategic plant varieties can qualify for patent protection.

Inevitably however, the form of such a *sui generis* system pre-empts judgment of its effectiveness. In essence, for WTO members intent on complying with TRIPS, it comes down to a choice of - and the relationship between - regimes. The choice here is rather theoretical, or is only functionally useful as a policy orientation because, in fact all the different applicable regimes coexist. For example, virtually all WTO members have signed the Convention on Biological Diversity (CBD) and are active in the deliberations on the International Treaty on Plant Genetic Resources for Food and Agriculture (ITPGRFA). In addition, some have signed either UPOV 1978 or UPOV 1991. Hence the choice is not a stark "either/or" but a more

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90 According to Llewelyn, such a reading of the provision would "not only be possible but permissible." See Cottier and Mavroidis (2003), p. 307.
nuanced evaluation of what aspects to borrow from each regime in order to meet a particular national objective.

With respect to sui generis systems, inherent in the language of article 27(3)(b) is a degree of flexibility, first, as regards the form of sui generis protection. Unlike patents where the basic criteria are already spelt out, no comparable guidance is given for sui generis systems. This has often led commentators to the conclusion that the sui generis option is preferable for WTO members that wish to experiment with their freedoms under TRIPS. In particular, this flexibility means that such countries can look to other international instruments for guidance including the UPOV Conventions, the CBD and the ITPGRFA. Hence, there is significant leeway for WTO members to come up with various forms of sui generis systems, with the only condition being that such systems must be effective.

As an aside, it is debatable whether the pre-condition of effectiveness also applies to patents. The juxtaposition of the word "effective" between "sui generis systems" and "patents", should mean that only sui generis systems need meet the effectiveness criteria, while for patents, the fact that there is already a criteria spelt out in article 27(2) satisfies the requirement. Or indeed that patents should be evaluated as against the criteria already laid out. The only problem is that the patentability criteria is relatively straightforward and accepted already in most jurisdictions, while "effective" as a legal term is vague, undefined, and wrought with geographical relativity.

3.5 The "effectiveness" condition and its impact on the scope of sui generis systems

Therefore the question of what exactly constitutes an effective sui generis system becomes important, and potentially controversial, not least because of the virtual impossibility of determining a definite globally applicable criterion of "effectiveness". Raustiala has postulated that "effectiveness" as an aspect of compliance with international legal instruments means the "degree to which a given rule induces changes in behaviour that furthers the goals of those rules."91 De-linked from concerns over the form of such a system, one may look to the quality of enforcement of such a system, in order to determine its effectiveness, as is contemplated for example in

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Basic Legal Obligations

article 41(1) or articles 42–49 of the TRIPS Agreement. Dutfield sees little significance in a laboured interpretation of the word "effective".92 According to him, "there is no question that "effective" implies enforceable." To equate "effective" with "enforceable" is a rather un-sophisticated approach to legal interpretation, particularly in this case where "effective" imports into the equation myriad capacity challenges on the part of developing countries. Our view is that "enforceable" connotes a procedural emphasis, while "effective" is broader and has both a substantive and procedural element requiring a more wholesome examination of both those aspects. What is difficult to define however, is "adequate", the other general requirement on WTO members regarding the intellectual property systems that they must put in place. In this regard, the efficacy, efficiency and impartiality of the enforcement agencies, including the judicial system would be examined, as would be the legal sanctity of the procedure itself. Article 41(1) of the TRIPS Agreement requires WTO members to ensure that enforcement procedures permit effective action against infringement of IPRs and that appropriate remedies are provided. Further, it requires that enforcement procedures are applied in a legitimate manner and that avoids the creation of further barriers. Articles 42 through 49 demonstrate an attempt by the TRIPS Agreement to provide fairly comprehensive procedural aspects for the administration of the agreement. The provisions deal with civil and administrative procedures and remedies.

From the domestic perspective, one may alternatively, or in addition, look at the extent to which a particular system meets the national policy and development objectives. If it serves the legitimate domestic interest fully, then it may be concluded that such a system is indeed effective. In this sense therefore, one could emphasize national priorities, including domestic policy space, by bringing into this criteria of effectiveness, issues such as the level of protection that the system affords to domestic plant breeders, the extent to which it guarantees access and benefit sharing for local communities, the extent to which it contributes to or safeguards the food security situation in the country, and the extent to which it leaves some governmental regulatory policy space.

One may also look at the "effectiveness" requirement in article 27(3)(b) from the overall context of the TRIPS Agreement, as have Leskien and Flitner.93

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93 See Leskien and Flitner (1997), pp. 27–32.
They argue that looking at the context and objectives of the TRIPS Agreement as a whole, should lead a legal analyst to the conclusion that an effective *sui generis* system should provide for protection of plant varieties of all species and genera, through an intellectual property right system which meets the non-discrimination requirements in the TRIPS Agreement and that such a system should provide for effective enforcement.

Article 7 could be yet another window of evaluation of the effectiveness of a particular system. It says that "The protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social economic welfare, and to the balance of rights and obligations." An analysis of this provision may lead one to shoot down as ineffective, any system that does not yield "mutual advantage" to producers and users of technological knowledge. Further, any system of IPRs, including plant varieties protection, that is not "conducive to social and economic welfare" could be found to be ineffective and defective under this criteria. Admittedly, what is "conducive to social and economic welfare" is one of those monumentally subjective determinations, and from a legal perspective, so imprecise as to be inapplicable. Activist individuals serving on WTO panels or in the Appellate Body, though difficult to conceive, may however find it a useful spring board for a development-centred interpretative approach. In general, without the benefit of jurisprudence however, it is of course difficult to outline the precise legal dimensions of these criteria, or indeed whether in fact they can be applied as such.

Article 8 is not commonly discussed as a possible additional exception to WTO members' obligations under article 27(3)(b).文章 It allows members to take "measures necessary to protect public health and nutrition, and to promote the public interest in sectors of vital importance to their socio-economic and technological development." Improved agricultural productivity relies on access to suitable plant varieties. In turn, improved agricultural productivity, particularly of basic foodstuffs, generally translates into higher socio-economic welfare and better nutritional and health standards. If a patent granted to a particular entity over a plant variety makes its availability to farmers impossible, and thereby jeopardising the socio-economic, and nutritional well-being of the population, then theoretically

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94 Article 8 has proven enormously useful in the debate on TRIPs and public health.
Basic Legal Obligations

under article 8, the concerned WTO member is perfectly within their rights to take the measures necessary to recover it for use. According to Mangeni:

"Don't the members determine which sectors are of vital importance to them? Doesn't socio-economic development of the members require measures to support rural or local communities, measures to ensure food security, in accordance with social justice as a national policy? Doesn't the prevention of abuse include the protection provided for in article 15 of the Convention on Biological Diversity (informed consent, source of biological material, benefit sharing)? Don't monopolies in supply of seeds restrain trade unreasonably say through production volumes, refusal to supply, absence of conditions for easily getting access to sources of supply or to right-holders of seeds for plant varieties? The answers to these questions are yes. *Sui generis* systems for the protection of plant varieties must contain provisions to implement the answers."

Llewelyn on the contrary, expresses some doubt as to whether article 8 can indeed be used as a "mechanism for denying patent protection to genetic material or as a basis for a non-UPOV type right." This ambivalence is in a sense understandable when one looks at it from the point of making it operational. Given the strength of competing interests, it would take an exceedingly radical decision for a developing country to deny patent - or other form of - protection on the basis of article 8. It would also reflect a certain degree of militancy that developing countries are finding increasingly difficult to muster, as their economies become more and more beholden to global economic actors. From a purely legal point of view therefore, nothing is required for it to be used as an additional flexibility for developing countries beyond the language already in article 8, but from a practical political-economy point of view, its utility is very limited.

A major legal lacuna left by the language of article 27(3)(b) is the scope of protection that should be afforded by a *sui generis* system. Does the qualification of "effective" also hearken to the "extent" or "coverage" of protection afforded to plant varieties? Put another way, could a country, for whatever reasons, exclude some plant varieties from protection? This

95 Mangeni (2000).
question is even more complicated given the absence of a definition of "plant variety" in the TRIPS Agreement. Leskien and Flitner argue that it is inconceivable for any such exclusions to be consistent with the agreement. They state:

"Since the TRIPS Agreement neither defines the term 'plant variety' nor specifies any species or genera the varieties of which have to be protected, it seems clear that member states have to provide for the protection of plant varieties of all species and botanical genera. Any other interpretation of article 27.3(b) would have to indicate for how many species or for which types of species member states have to grant *sui generis* protection and there is no such provision in the TRIPS Agreement."97

It is difficult to see why this openly debatable issue would be rendered in such conclusive language by the authors, save for a desire to read into the agreement commitments that WTO members themselves were completely unable to agree upon. First, it is clear that no indication whatsoever is given in the TRIPS Agreement itself regarding the extent or coverage of article 27(3)(b). There is also no record of the negotiating history that would cast light on, at the minimum, the scope that was considered by the negotiators during the Uruguay Round. It is therefore impossible to read into this provision such a broad scope. Secondly, article 7 says that the protection and enforcement of IPRs should contribute to the promotion of technological innovation, the transfer and dissemination of knowledge, and to the mutual advantage of producers and users of technological knowledge. They should also be protected and enforced in a manner conducive to social and economic welfare. Article 8 allows WTO members to put in place measures that promote the public interest in sectors of vital importance to their socio-economic and technological development. These provisions are significant in their state-centeredness, and their recognition of the legitimate interests of the state. The import is that because it is up to each individual WTO member to decide on the system that best works for them in the protection of plant varieties, and given the pointed omission of any strictures on the scope of such protection, it is quite conceivable that exclusions of certain plant varieties on grounds qualifiable under articles 7 and 8, are in fact legitimate.

In sum therefore, it should be clear that whereas the "shall" in article 27(3)(b) invites a compelling unavoidable obligation for WTO members to protect plant varieties, potentially significant leeway is left to countries in determining the form and scope of such protection. Their choices in this regard depend on their finesse in technical legal interpretation and draftsmanship and the extent to which they are able to look at the TRIPS Agreement in a holistic manner.

IV. THE METHODS OF PLANT VARIETIES PROTECTION IN ARTICLE 27(3)(b)

Article 27(3)(b) is often seen as presenting two predominant options for the protection of plant varieties. These are patents and/or sui generis systems. To frame the debate more simply using the legislative models currently in place with respect to the protection of plant varieties, the United States IPR system is more on the patent end, meaning patents are available over all plant material and varieties, while the European Union system is at the UPOV-style "plant varieties rights" end. In the case of the United States, it should be remembered that a plant breeder can hold a patent, but with the option of additional protection through plant varieties rights. Further, in the European Union, plant varieties are explicitly excluded from patent protection. The sui generis system that is sympathetically viewed by many developing countries could lie somewhere in between, or indeed conform to neither, the patent model or the UPOV-style "plant varieties rights" model.

According to article 3(1) of the TRIPS Agreement, an IPR system set up by any WTO member, including that on the protection of plant variety rights whether sui generis or not, has to comply with the requirement of national treatment and most favoured nation treatment. As indicated, in the specific case of plant varieties, national treatment simply means that WTO members have to accord nationals of their trading partners treatment that is no less favourable than that which they give their own citizens in terms of IPRs protection. Most favoured nation treatment on the other hand would mean that any advantage, favour, privilege or immunity granted by a WTO member to nationals of trading partner should be multilateralized, that is, granted immediately and unconditionally to the nationals of all other WTO members.

98 In fact, the United States has both the patent system, and the plant varieties rights protection (UPOV-style) system.
4.1 Plant varieties protection through patents

The TRIPS Agreement gives the basic criteria for patentability. It requires a patentable invention to be new, to involve an inventive step, and to be capable of industrial application. At the national level, the criteria for patentability, as well as the interpretation and application of patent laws, differ. Hence, there is no universal system for patent protection. WIPO has been working on several patent law harmonization initiatives. According to Dutfield, spurring the increase in the number of patent applications over life forms, including plant varieties, has been the power and influence of the biosciences industry. In the past few years, there has been a significant increase in the number and breadth of patent applications over seed and plant varieties and a consolidation of the industry into a handful of global mega-corporations. Their influence in shaping global debate is keenly felt in the relevant intergovernmental fora, including at WIPO and FAO.

Whereas the TRIPS Agreement spells out the basic criteria for patentability, it does not define an "invention." The European Patent Convention does not also define an "invention" while in the United States, 35 USC §101 simply refers to what can be invented as including any new and useful process, machines, manufacture of composition of matter or any useful improvement thereof. It is not in doubt however, that for article 27(3)(b) to have been included in the TRIPS Agreement, there was some kind of consensus that plant varieties are in fact patentable. In the United States, all living matter, including plant varieties are, patentable. The United States Supreme Court, in its decision in Diamond v. Chakrabarty held that "everything under the sun made by man" is patentable. A comparable decision was handed down by the Technical Board of the European Patent Office (EPO) in the 1984 Ciba Geigy case which noted that "no general exclusion of inventions in the sphere of animate nature can be inferred from the EPC." More recent trends indicate that the EPO has backtracked from its position in Ciba Geigy. In Plant Genetic Systems v. Greenpeace the EPO Board of Appeal rejected patent claims for a plant on the grounds that the claims included plant varieties. The two conflicting decisions reflected the prevailing confusion in

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100 See the WIPO Patent Agenda at www.wipo.int/patent/agenda/en/.
104 See Plant Genetic Systems v. Greenpeace (T356/93) of the EPO Board of Appeal.
Europe over the definition and patenting of plant varieties. In the *Novartis* case, the Enlarged Board of Appeal of the EPO arrived at a conclusive determination consistent with the European Directive on Biotechnological Inventions that "as long as specific plant varieties are not individually claimed, article 53(b) of the European Patent Convention could not exclude the patenting of plants." The Directive was a compromise between the industry, that was keen to reap the benefits of patent protection, and ethicists who were concerned about the morality of patenting life-forms. According to article 4(1) of the Directive, plant and animal varieties will be excluded from patentability but plant inventions will continue to be patentable "if the technical feasibility of the invention is not confined to a particular plant variety." At the core of the concerns over the appropriateness of patenting plant varieties is the fear of exclusive or monopolistic use of patented material and the commoditization of genetic material, particularly when the patent holder is a large multinational corporation.

Another concern stems from the fact that patents can be granted over processes, which means that patents can be granted over the plant breeding process itself. This would of course take the technology out of the scientific experimentation or research realm. As Dutfield notes, plant breeders are not often in support of patenting as they "worry about the possible impacts of other companies' patents on their own breeding programmes." For developing countries, whose attraction to the TRIPS Agreement was mainly in its singular usefulness in facilitating technology transfer, this would certainly amount to a double loss.

Other commentators cite the argument that plant breeding is in fact a unique science in which incremental improvements over years of research have such a fundamental reliance on prior-existing material that it is difficult to speak of genuinely new inventions worthy of patent protection. In the United

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111 Dutfield (2003), p. 176
States, the appropriateness of patent protection as opposed to UPOV-style plant variety rights was at issue in Pioneer Hi-Bred International Inc. v. J.E.M. AG Supply Inc.\(^\text{112}\) The appellant alleged that the UPOV-style plant variety rights are the exclusive method for protection of plant varieties and further, that utility patents as a form of protection are not valid under law. In its holding, the Supreme Court found that plants are in fact proper subject matter for full patent protection under 35 U.S.C § 101, and that they are not necessarily limited to UPOV-type protection under the Plant Variety Protection Act\(^\text{113}\) or the Plant Patent Act\(^\text{114}\) despite the fact that the two statutes were designed specifically for plant varieties protection.\(^\text{115}\) In addition, the court was clear that the fact that these two laws were intended specifically for plant varieties protection did not mean that they were the exclusive means of protection.\(^\text{116}\) More instructively as to the broad basis of the court's decision was its reliance on the decision in Diamond v. Chakrabarty, in which it had said that anything under the sun made by man was patentable.\(^\text{117}\) In its 1994 law, Singapore now allows for the patenting of plants, or indeed any living organism, because there is no specific barrier to this reading of the law. However, section 13(5) of this law gives some flexibility to the minister to reign in any abusive usage of the patent option.

Does the TRIPS Agreement in some way implicitly privilege patent protection of plant varieties over other forms of protection such as breeders' rights? This question is difficult to answer, particularly in the face of the dearth of relevant information in its negotiating history. Article 27 of the TRIPS Agreement addresses "patentable subject matter" and its first paragraph spells out that "patents shall be available for any inventions, whether products or process, in all fields of technology ... ." This is the main thrust of the provision. The pre-eminence of this provision would seem to be an emphatic reflection of the dominance of the United States and its patent approach. Plant varieties protection through means other than patents come rather casually, further down, and only within the framework of an exception to the general rule. In its listing of the methods of plant varieties protection, WTO members can choose between patents, sui generis systems, or a combination thereof, in that order. One might sense, despite the


\(^{116}\) Ibid, pp. 132 and 138.

\(^{117}\) Ibid, p. 130.
absence of any indications of a hierarchical approach, that patents ranked highly for the dominant parties in the negotiations or the draftsmen of that particular provision. Knowing that the United States was the main demandeur in the negotiations, and with the benefit of US domestic thinking from Chakrabarty and Pioneer Hi-Bred International, we could surmise that the structure and language of that provision certainly does privilege the patent approach, and the overriding idea that "everything under the sun made by man" should be patentable.\(^{118}\) Lastly, the TRIPS Agreement is quite a study in cross-referencing between international instruments; it refers to the Paris Convention of 1967 on trademarks, the Berne Convention of 1971 on copyright and related rights, and the Rome Convention on integrated circuits. That such an otherwise demonstrably cognisant international agreement would fail to acknowledge the "predominant position"\(^{119}\) of the UPOV Acts in the area of plant varieties protection is attributable probably to both the opposition by developing countries in multilateralizing the UPOV Acts\(^ {120}\) and the privileged position that the US accorded its own model of patenting plant varieties.

Significantly, during the Uruguay Round negotiations, the European Union sided with developing countries in opposing the view of the United States regarding patenting plant varieties in article 27(3)(b).\(^ {121}\) According to Correa, the EU’s proposals during the negotiations aimed at "maintaining the position of European countries which were members of the European Patent Convention."\(^ {122}\) In this case, the EU was unwilling to end its method of granting plant breeders' rights in favour of the US approach on plant patents.\(^ {123}\) The resulting flexible language in article 27(3)(b) was therefore a reflection of the outstanding differences on the patenting of plants and animals and direct consequence of the desire to accommodate all plant varieties protection practices, including the possibility of new methods in the form of sui generis protection.

\(^{118}\) According to Carlos Correa, "the exclusion of breeders' rights indicates that the major actors in the negotiations of TRIPs – particularly the USA – privileged a patent approach with regard to issues relating to innovation in the field of plants." (1994).

\(^{119}\) It is well to remember however that as at the end of the Uruguay Round negotiations (1994), only a very small number of countries (35 in number, and mostly developed countries) had adopted the UPOV Acts. See Correa, C. (1994), p. 21.

\(^{120}\) See Llewelyn, in Cottier and Mavroidis (2003), p. 315.

\(^{121}\) Ibid, p. 313.


\(^{123}\) See Llewelyn, in Cottier and Mavroidis (2003), p. 313.
4.2 Plant varieties protection through *sui generis* systems

WTO members that do not go the patent route in providing for plant variety protection have the option of using "effective *sui generis* systems" or a combination of such systems and patents. According to Leskien and Flitner, there is a wide range of possible TRIPS-compatible *sui generis* systems. But what exactly is meant by "effective *sui generis* systems"? There is no clear answer to this question. Neither is there anything in the negotiating history of article 27(3)(b) on which one could latch a proper analysis of the conceivable possible meaning, nor is the term defined anywhere in the TRIPS Agreement. Are *sui generis* systems nevertheless a category of "intellectual property rights" as defined by article 1(2) of the TRIPS Agreement? Certainly yes, because the paragraph refers to "*sui generis* systems" where the term "systems" is collective, in the sense that it is not supposed to refer to a discrete novel identifiable category of an IPR but rather IPR "systems" that derive from those currently existing or in practice, including quite obviously in this case, plant breeders' rights, various formulations that incorporate people-centred concepts such as farmers' rights and sustainable development. In addition, if indeed *sui generis* systems were not IPRs, it would mean that certain basic concepts such as national treatment and most favoured nation, would not apply, meaning a WTO member would not be compelled to confer equal protection to plant varieties of nationals from its trading partners. The consequence of this would be ludicrous, especially to the extent that it defeats the very basic objectives of TRIPS as a "covered agreement" in the WTO.

Although the concept of farmers' rights is dealt with in greater detail later in the chapter, the reference to farmers' rights in the preceding paragraph should be clarified at this point. In various fora, "farmers' rights" and

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125 Ibid, p. 27.
126 Ibid, p. 28.
Basic Legal Obligations

"traditional knowledge,"128 both of which give dominant recognition to the role of local rural communities, have been mentioned as possible new forms of IPRs. Cottier and Panizzon make a number of arguments in support of IPR protection over traditional knowledge. The authors argue that although traditional knowledge (TK) does not lend itself to conventional IP protection, it deserves a suitable form of protection for "strategic and ethical thinking in the field of IPRs...recognize[s] that TK can become a trigger point for new product development, especially in sectors of specialty foods and beverages, horticulture, pharmaceuticals, personal care and cosmetics." Further, that IPRs on traditional knowledge may help developing countries become full players in global agricultural markets while at the same time ensuring that local communities benefit from their knowledge contributions. The authors also argue that without IPR protection over traditional knowledge, cases of misappropriation of such knowledge will continue, hence impacting the international IP system negatively as at present. The essence of both of these concepts is that the granting of any patent application for a product that in some way derives from or utilizes genetic material should be predicated on the veracity of an accompanying certificate of origin that details two things. First, it requires that genetic resources that were used, the applicable traditional knowledge and the communities from whence the information was obtained be specified, and second, that it provides evidence that the communities involved in the process were informed and their consent obtained prior to the filing of the patent application. Article 27(3)(b) requires WTO members to provide for plant varieties protection through patents, *sui generis* systems or some combination of these two. Farmers' rights, as a concept is not included in this list of options, though nothing precludes the possibility of including it in national legislation. Consequently farmers' rights are not an IPR within the meaning of article 1(2) of the TRIPS Agreement, and it is therefore inconclusive to speak of implementing article 27(3)(b) through the concept of farmers' rights. However, the vociferous debate around the issue seems to focus attention on the limitations that a strict application of breeders' rights would have on farmers' rights, and this is often lumped together as a shortcoming of article 27(3)(b). Objectively, whereas this approach does raise the profile of the concerns that developing countries have expressed over the

implementation of article 27(3)(b), and in fact raises the profile of the whole concept of farmers' rights, it also essentially serves to muddle issues.

Going back now to the matter of *sui generis* systems, at the time of the conclusion of negotiations on the TRIPS Agreement, what could have amounted to *sui generis* systems were the UPOV Acts, and the various national laws that they had inspired. Significantly however, the TRIPS Agreement does not mention UPOV anywhere and does not require UPOV membership as a compliance mechanism. It does not also expressly or implicitly require any WTO member to align its legislation with any of the UPOV Acts. It does not mention "plant breeders' rights" either, which were already a distinct and well established IPR championed by UPOV and European countries by this time in the Uruguay Round negotiations.129 (Although, according to Correa, this exclusion or failure to mention "plant breeders' rights" more specifically "does not mean, in exchange, that breeders' rights cannot be considered a specific kind of intellectual property right ... since they convey all the characteristics of such rights").

Quite importantly, in explaining what it would take to comply with the TRIPS Agreement, the then Director General of the GATT assured the Indian government in 1993 that in fact, if a country followed the standards of the 1978 UPOV Act, which was in force during the TRIPS negotiations, "it would be reasonable to claim that an effective *sui generis* protection had been provided."130 The legal vacuum created by the absence of any mention of plant breeders' rights in the TRIPS Agreement, and thereby the lack of guidance at the international level has led to UPOV being the international standard-setter in matters of plant breeders' rights.

4.2.1 The UPOV system as a *sui generis* system

The UPOV Acts are now the most common model for *sui generis* protection of plant varieties or breeders rights. The UPOV Acts provided for "plant variety protection" as a *sui generis* right, within the meaning of article 27(3)(b). The "plant variety protection" *sui generis* option has three key distinctions. First, the right extends only to the "variety" itself, and not to its constituent elements. Secondly, unlike patents, it does not also extend coverage to the production process. Thirdly, it is subject to certain exceptions whose

application has far-reaching implications, such as the research exception and the farmers' exception. The idea that in some way plant breeders should have some form of protection for their innovation predates UPOV, having begun prior to the enactment of the United States Plant Patent Act of 1930 which provided protection for asexually reproducing plants.

In Europe, a narrow view was taken of the plant patent approach, among other reasons, for the fact that it was not proper to grant monopoly or exclusive rights over crop varieties, that plant material could not meet the novelty requirement for patents and that plant breeding programmes were not sufficiently inventive. Consequently, European states sought an alternative form of protection leading to the formation of the Union for the Protection of Plant Varieties in 1961. However, the UPOV 1961 Act was not completely incompatible with the patent approach. The 1961 Act still provided members with so called "dual protection prohibition" that is the option of choosing either the plant patent route or a sui generis type route but not both, where both approaches accorded with the act. It also allowed them to provide for both, in countries such as the United States where only the plant breeders' right was a right within the meaning of the act. According to Llewelyn, the reason why the United States grants both plant variety protection through its Plant Varieties Protection Act of 1970, which provided for the protection of sexually reproducing plants, a plant patent system through its 1930 Act, and through the utility patent route, is because neither the 1930 Act nor the utility patents are rights according to UPOV. The option of patent or plant variety protection was later omitted from the UPOV 1991 Act.

(a) The 1978 UPOV Act

According to the 1978 UPOV Act, a plant variety protection right is granted on varieties that are new, distinct, uniform, and stable. The plant variety protection right means that the right-holder can sell, or offer for sale, any reproductive material of the protected variety, and is entitled to this right for a period of up to eighteen years. This right is however subject to the research exception, which also extends to the products of the research, and the farmers' privilege, which means that farmers can, within certain limits,
save, replant, exchange or sell seeds. As indicated earlier, under the 1978 UPOV Act, members face the "dual protection prohibition", meaning they cannot provide for both patents and a *sui generis* right concurrently.

**Material covered and the sequence of application of the convention**

According to article 4(1), the convention "may be applied to all botanical genera and species." By the optional "may", it does not have to be applied to all plant varieties, but only those which the UPOV member designates. However, it does require them to start off with protection of "at least five genera or species" from the date of entry into force of the convention and then to undertake a progressive or sequenced application of the convention to the "largest possible number of botanical genera and species." In any event, from the starting point of five genera or species, they are required to advance to 24 within eight years.

Within a particular genus or species, a member is allowed to limit the application of the convention to select sub-groups. In the event that such a distinction is made within a genus or species, that genus or species shall nevertheless be considered as one genus or species for purposes of fulfilling the numbers of sequenced application in article 4. The convention takes account of specific difficulties in meeting the program of phased application of the convention and the possibilities for extending those periods. The convention extends the scope of covered material to include not only the variety itself but also its reproductive or vegetative propagating material. This means the "whole plant" is protected including seeds, seedlings, cuttings and other vegetative material to the same extent as the variety itself. Protection in this case means that anyone wanting to use such material in any of three listed ways (production, sale or marketing) must obtain the authorisation of the breeder.
Form, scope and duration of protection

Article 2(1) is the so-called "dual-protection clause" which disallows the cumulation of rights of protection. It requires each member to protect plant varieties with either a breeder's right (which the convention describes as "a special title of protection") or a patent. However, a member cannot provide for the cumulation of both a breeder's right and patent right. It states that if a member allows for both systems of protection "only one of them for one and the same botanical genus or species" can be granted. This provision is omitted from the UPOV 1991 version.

Does UPOV 1978 protect discovered varieties, that is, those resulting from the conventional process of breeding as opposed to those merely discovered? According to Helfer, article 6(1)(a) which states that protected varieties can result from "a natural source of initial variation"\textsuperscript{143} can be used to arrive at a positive response. The scope of the breeder's exclusive rights is dealt with at article 5, as indicated in the discussion above. The provision makes it an infringement if anyone does not seek and obtain the right-holder's authorization in producing, offering for sale or marketing any material that is protected under the convention and for which the breeder has exclusive rights. Article 8 states that the right of protection subsists for a minimum period of fifteen years. For vines, forest trees, fruit trees and ornamental trees, the minimum period of protection is slightly longer, not less than eighteen years.

Conditions for protection eligibility (article 6)

The conditions for the grant of protection to genera or species covered under UPOV 1978 are spelt out in article 6. The variety must be new, distinct, uniform and stable. The newness condition means that it must not have been offered for sale or in some way been marketed for a certain period of time prior to the date of granting protection. Article 6(1)(b) requires that the variety must not have been offered for sale or marketing with a year of the period when protection was sought by a state, or in the case of vines, forest trees, fruit trees and ornamental trees, within six years, including, in any other state. A further proviso states that the fact that the variety has

become a matter of common knowledge in ways other than through offering for sale or marketing shall also not affect the right of the breeder to protection. The rationale for this provision of newness is simply to avoid granting protection to varieties that are already registered or that have already been exploited.

The "distinctness" condition is found in article 6(1)(a) and although it is not defined, its effect is that the variety must be distinguishable from any other variety whose existence may be a matter of common knowledge, as at the time when protection is applied for. Common knowledge is to be established by reference to factors such as cultivation or marketing already in progress, entry in an official register of varieties already made or in the course of being made, inclusion in a reference collection, or precise description in a publication. Further, it requires that any such characteristics by which a variety is to be defined and distinguished must be capable of recognition and description.

The homogeneity condition requires that the variety be "sufficiently homogeneous, having regard to the particular features of its sexual reproduction or vegetative propagation."144 It means in effect, that UPOV is dubious of diversity traits within a protectable variety, and that any intraindividual variation should be as minimal as possible.145 This requirement has been used by environmentalists to insist that UPOV promotes the erosion of biological diversity.

The final precondition of stability means that the variety must "remain true to its description after repeated reproduction or propagation or, where the breeder has defined a particular cycle of reproduction or multiplication, at the end of each cycle."146 The key point here is the "after repeated reproduction" aspect which imports a time element to the process. From the environmentalists' point of view, this particular condition simply makes permanent the loss of biodiversity already attained by the homogeneity requirement.

Exceptions and restrictions to the protected rights

There are three main exceptions to the exclusive rights conferred under UPOV 1978. These are: the breeder's exception, which allows a breeder to

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144 UPOV 1978, article 6(1)(c).
146 UPOV 1978, article 6(1)(d).
use protected material for further research in view of the acknowledged fact that plant breeding is an incremental science; the farmers' exception, which allows farmers to save, replant, sell or otherwise exchange protected seed and other vegetative material from season to season; and the general exception in article 9 which allows a member to restrict the exclusive right accorded to a breeder for reasons of public interest, as long as equitable remuneration is paid to the breeder.

The breeder's exception: Article 5(3) of UPOV 1978 provides for a breeder's exception. It states that the authorisation of the breeder shall not be required either for the utilisation of the variety as an initial source of variation for the purpose of creating other varieties or for the marketing of such varieties. However it adds that authorization shall be required when the repeated use of the variety is necessary for the commercial production of another variety. The rationale for this exception is that plant breeding is an incremental science, hence the importance of allowing other breeders access to otherwise protected material.

The farmers' exception: The convention has only 42 articles, but it mentions the word "breeder" or "breeders" about 40 times. Clearly, the emphasis was on breeders' rights, and the limits of commercial use of protected varieties. It does not mention "farmers" even once, neither does it directly provide for the farmers' exception. However, implicit in this silence is permission to use seeds or other propagating material without the authorization of the breeder as long as such use is for non-commercial purposes.147 This reading of UPOV 1978 resonates well, when one considers the extent of the farmers' exception in UPOV 1991 where it was considered necessary to reign it in somewhat.

The nature of the farmers' exception varies but the core of it is that a farmer has the right to save, replant, sell or exchange protected seeds or planting material from the previous season. The scope varies from country to country however, whereas in some, farmers will have the right only to replant seeds on their own farms, in others they are allowed to sell or exchange with other farmers, though usually on a limited scale and only at the local level. The scope of this farmers' exception is also one of the major points of divergence between UPOV 1978 and UPOV 1991. UPOV 1991 could be read to limit the farmers' exception only to the use of protected material for propagating purposes, on the farmer's own holding of the harvest product which they

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147 Helfer (2004), p. 25
have obtained by planting.\textsuperscript{148} A diplomatic conference resolution on article 15(2) further recommends rather controversially, the narrowing down of this provision by excluding the applicability of the farmers' exception from horticultural crops and other agricultural sectors in which the activities that constitute the "farmers' privilege" are not common practice.

(b) The 1991 UPOV Act

\textit{Material covered}

One of the major differences between UPOV 1978 and UPOV 1991 is precisely on the scope of coverage required at the first instance, once a country joins. As indicated earlier, UPOV 1978 requires a member to extend protection to at least five species upon gaining membership, and spreads the obligations over a period of time, culminating in at least 24 genera or species within a period of eight years. UPOV 1991 on the other hand, requires protection to be given to at least 15 genera or species upon accession, and to all species within ten years.\textsuperscript{149} For those countries that are already members of UPOV 1961 or UPOV 1978, that wish to upgrade to UPOV 1991, it gives them an even shorter compliance period of only five years, and obliges them to provide protection for all genera and species. Article 3(1)(ii) requires those states to apply the provisions of the convention "at the latest by the expiration of a period of five years after the said date, to all plant genera and species" and article 3(2)(i) to "at least 15 plant genera or species ...".

\textit{Form, scope and duration of protection}

UPOV 1991 introduces a definition of "plant variety" at article 1, which delimits the scope of the \textit{sui generis} right. The right is granted to "any plant grouping within a single botanical taxon of the lowest known rank which, irrespective of whether the conditions for a grant of a plant variety right are fully met is new, distinct, uniform and stable."\textsuperscript{150} According to article 1(vi) of UPOV 1991, "variety" means a plant grouping within a single botanical taxon of the lowest known rank, which grouping, irrespective of whether the conditions for the grant of a breeder's right are fully met, can be: defined by the expression of the characteristics resulting from a given genotype or combination of genotypes; distinguished from any other plant grouping by

\textsuperscript{148} UPOV 1991, article 15(2).
\textsuperscript{149} UPOV 1991, article 3(2).
\textsuperscript{150} UPOV 1991, article 1(vi).
the expression of at least one of the said characteristics and; considered as a unit with regard to its suitability for being propagated unchanged. In its definition of a "breeder", UPOV 1991 includes a person that discovers a variety. This provision is an unambiguous extension of the scope of protection to mere discoveries, unlike UPOV 1978 whose provision in this regard was only implicit and rather tenuous.\textsuperscript{151} One other important difference between the UPOV conventions discussed here regards the cumulation of plant breeder's rights and patent protection. In the preceding discussion on UPOV 1978, it was indicated that cumulation was explicitly forbidden. UPOV 1991 on the other hand omits this restriction, thereby effectively allowing a plant breeder to also hold a patent over the same variety.\textsuperscript{152}

\textit{Conditions for protection eligibility}

The basic criteria that have to be met for plant variety protection under the 1991 UPOV Act, are similar to the 1978 version. Plant varieties protection is granted over varieties that are:

- \textit{new},

"The variety shall be deemed to be new if, at the date of filing of the application for a breeder's right, propagating or harvested material of the variety has not been sold or otherwise disposed of to others, by or with the consent of the breeder, for purposes of exploitation of the variety ..."\textsuperscript{153}

- \textit{distinct},

"The variety shall be deemed to be distinct if it is clearly distinguishable from any other variety whose existence is a matter of common knowledge at the time of the filing of the application ..."\textsuperscript{154}

- \textit{uniform},

"The variety shall be deemed to be uniform if, subject to the variation that may be expected from the particular features of its propagation, it is sufficiently uniform in its relevant characteristics."\textsuperscript{155} and

\textsuperscript{151} Article 1(iv), stating in part that a "breeder" means the person who bred, or discovered and developed, a variety.


\textsuperscript{153} UPOV 1991, article 6(1).

\textsuperscript{154} UPOV 1991, article 7.

\textsuperscript{155} UPOV 1991, article 8.
"The variety shall be deemed to be stable if its relevant characteristics remain unchanged after repeated propagation or, in the case of a particular cycle of propagation, at the end of each such cycle."\(^{156}\)

**Exceptions and restrictions to protected rights**

Quite significantly, a reading of articles 14 and 15 does not yield an explicit recognition of the exception to the breeder's right on farmers' privilege, or to the extent it does, it severely limits its utility. Article 14 spells out the expansive scope of the breeder's right stating that anyone that wishes to use the breeder's material will need authorization from the right-holder. According to one commentator, this means that "any farmer engaging in this activity [of farm-saved seed] will infringe the rights of the holder [that is, the breeders' right]."\(^{157}\) By article 15(1), the act limits the breeder's right from applying to acts "done privately and for non-commercial purposes,"\(^{158}\) acts done for "experimental purposes,"\(^{159}\) and acts done for the purpose of breeding other varieties.\(^{160}\) Article 15(2) recognizes that a member may restrict the breeder's right to permit farmers to use protected plant varieties for propagating purposes on their own holdings as long as the "legitimate interests of the breeders" are safeguarded.

Some interesting interpretive issues arise from the potential extent to which the "private and non-commercial purpose" language in the 1991 UPOV's article 15(1) allows for the farmers' privilege, particularly when reading it *in tandem* with the expansive scope of the breeder's right as contained in article 14. Particular concern here would be on the right of small scale, resource poor farmers to continue carrying on their age-old practices of saving, exchanging and selling seeds from season to season, without the precondition of asking for the breeder's authorization. What type of farmer meets the criteria of "small" or "poor" is itself a legal landmine, and the criteria for such a determination is undoubtedly bound to vary from country to country. Reference in this regard may be made to the size of the area of cultivated land, the volume of seed required or used, the seasonal production or output of the farmer, among other criteria.

\(^{156}\) UPOV 1991, article 9.


\(^{158}\) UPOV 1991, article 15(1)(i).

\(^{159}\) UPOV 1991, article 15(1)(ii).

\(^{160}\) UPOV 1991, article 15(1)(iii).
In the phrase acts done "privately and for non-commercial purposes," the word "and" that links the two elements is crucial because it means that both elements must be present for the exception to hold. This means for example, that a farmer that wishes to benefit from the exception must save the seeds locally and use them for subsistence and not put them up for sale. The thrust in the "private" element would seem to be on the "individual", meaning, the individual single farmer for present purposes. An additional possible element would be the scale of farming operations of such an individual, either in terms of land size or production volume.161

As alluded to earlier, the spirit of the provision seems to point towards relatively small-scale farming operations, mainly subsistence, for the "private" precondition in the exception to apply. Experience in rural poor communities, such as those in many parts of Africa, should lead one to conclude that they would clearly fall within the scope of what is considered "private" because many of the communities and rural farmers conduct their seed saving activities locally, using simple technology such as sun-drying, and then storing the seed in pots, granaries or gunny bags. In terms of territorial scope therefore, their seed saving activities could easily be considered "private". This may be contrasted with seed traders' fairs or agricultural shows where corporations involved in seed trade meet, often in the glare of media publicity. A farmer participating in such events would certainly not meet the "private" condition in the language of the exception in article 15(1). The other pre-condition of "non-commercial purpose" could also be interpreted as constituting both a profit motive and a profit margin. For the condition to be fulfilled, it would have to be shown that the farmer had no motive of profiting from the act of selling, and that whatever earnings that may have been obtained should not be so large as to lead to the implication of a large scale business operation. Although motive or intent is a notoriously difficult legal element to establish, it could be gleaned from, for example, either the business records of a particular farmer, or the very circumstances of their existence and farming practices. Taking the example of article 30 of the TRIPS Agreement, regarding the curtailment of a patent right, it could also be determined by looking at the extent to which the

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161 See for instance, article 14 of the EU Council Regulation No. 2100/94 on Community Plant Variety Rights, which defines a "small farmers" as one whose farm is no bigger than an area required for the production of more than 92 tons of cereals.
farmers "non-commercial" acts impact on the breeder's right, for example on their profit margin.162

Article 15(2) is an exception to the breeder's right in cases where farmers use for propagating purposes, on their own holdings, the product of the harvest which they have obtained by planting the protected variety. The key limitations in this provision lie in the phrases "for propagating purposes" and "on their own holdings". The "private and non-commercial" precondition in article 15(1)(i) do not apply to article 15(2), otherwise if they did, the draftsmen would have included it as such. Hence, one interpretation centring on the language of article 15(2) could be that once a UPOV member exercises its option to restrict the breeder's right in favour of the farmers, such farmer's privilege can be exercised unfettered by the requirement that their acts be "private and non-commercial".

4.2.3 National Treatment in the UPOV Acts and the TRIPS Agreement

According to article 3(1) of the 1978 UPOV Act, national treatment is granted on a reciprocal basis. This is quite distinct from the unconditional national treatment provisions in the TRIPS Agreement. A UPOV member can impose conditions and formalities:

"Without prejudice to the rights specially provided for in this Convention, natural and legal persons resident or having their registered office in one of the member states of the Union shall, in so far as the recognition and protection of the right of the breeder are concerned, enjoy in the other member states of the Union the same treatment as is accorded or may hereafter be accorded by the respective laws of such states to their own nationals, provided that such persons comply with the conditions and formalities imposed on such nationals."

Further, article 3(2) of UPOV 1978 makes the granting of national treatment conditional upon the presence of either a "registered office" or actual residence of the applicant, for protection in the granting UPOV member:

162 See for example the holding of the panel in the Canada – Patent Protection of Pharmaceutical Products (Generic Medicines) case (WT/DS114/R (17 March 2000)), para. 7.36.
"Nationals of member states of the Union not resident or having their registered office in one of those states shall likewise enjoy the same rights provided that they fulfil such obligations as may be imposed on them for the purpose of enabling the varieties which they have bred to be examined and the multiplication of such varieties to be checked."

Article 3(3) reinforces this by predating the granting of plant variety protection for a particular genus or species on similar entitlements in the country of the applicant for plant variety protection:

"Notwithstanding the provisions of paragraph (1) and paragraph (2), any member state of the Union applying this Convention to a given genus or species shall be entitled to limit the benefit of the protection to the nationals of those member states of the Union which apply this Convention to that genus or species and to natural and legal persons resident or having their registered office in any of those states."

Article 4(1) of the 1991 UPOV Act, is a little less onerous in the strictures it places on national treatment, referring only to the requirement that national treatment apply to "natural persons resident and legal entities having their registered offices within the territory of a Contracting Party" with the added proviso that "the said nationals, natural persons or legal entities [should] comply with the conditions and formalities imposed on the nationals of the said other Contracting Party." In the TRIPS Agreement on the other hand, national treatment means that nationals of trading partners are to be granted treatment no less favourable than that which a WTO member gives its own citizens in terms of IPRs protection.

Clearly, the UPOV Acts are inconsistent with the national treatment provision of TRIPS because they only require a UPOV member to accord treatment that is equal to that of their own nationals, to those that are from fellow UPOV member states and with headquarters in the concerned UPOV member state. Further, under UPOV 1978, a UPOV member can limit the right to apply for protection only to nationals from fellow UPOV-member states that give protection to the particular genus or species for which protection is sought.
4.3 Plant varieties protection through a combination of patents and \textit{sui generis} systems

This is the last of the three options in article 27(3)(b) - the least debated and the least used. The main questions addressed here are: First, what would be the motivation for a country to use the combination of patents and \textit{sui generis} systems? Second, what would it mean when a WTO member says that it is opting for the combination of the two systems? As indicated in the discussion on what amounts to an effective \textit{sui generis} system, national domestic policies, priorities and preferences, should be the guiding factor in formulating such a system. The option of a combined system should also be motivated by such factors. In this case therefore, the concerned WTO member should first evaluate what kind of agricultural system is predominant in the country.

Many poor countries, particularly those in Africa are characterized by an agricultural sector that is largely rural, poor and subsistence-based. A patent system for plant varieties protection would clearly be misplaced, especially given the fact that such farmers have been freely exchanging seeds and varieties since time immemorial. In addition however, there are some developing countries that have moved quickly in developing an urban or peri-urban agricultural export base, for example of cut flowers, fruits and vegetables. In this case, especially in the area of high-value flower varieties, there is a clear need for protection in order to prevent competitors from gaining an unfair market edge, or to encourage foreign direct investment in the cut flower industry, leading to job creation and export earnings. Here therefore, you have the coexistence of both systems of agriculture - one rural and subsistence, and the other urban or peri-urban and export oriented - forming a dual approach, perhaps with different levels of protection for different varieties.\footnote{See IPGRI. 1999, \textit{Key questions for policy makers: protection of plant varieties under the WTO Agreement on Trade Related Aspects of Intellectual Property Rights}, p. 6, Rome.} On the other hand, in developed countries where agricultural production is highly competitive, mechanized, resource and research intensive, and almost entirely export oriented, it would make sense to provide the most stringent means of protection.
V. IMPLEMENTATION OF TRIPS ARTICLE 27(3)(b)

The TRIPS Agreement has an inbuilt flexibility regarding its implementation. Article 1 leaves it up to each WTO member "to determine the appropriate method of implementing [the] Agreement within their own legal system and practice." This provision applies to the implementation of article 27(3)(b) as much as it applies to all the other obligations in the TRIPS Agreement. In determining the options for implementation, the general starting point should be the nature of the legal system of the country seeking implementation. In some WTO members, international treaties such as the TRIPS Agreement are 'self executing' This means that the international treaty becomes directly applicable law once the concerned country has ratified, signed or acceded to it. In Brazil and Argentina for example, international treaties are self executing. The United States makes a distinction between self-executing and non-self executing treaties.

Even in countries where international treaties are self-executing, it was not enough to have simply signed the Final Act (including the TRIPS Agreement). The "compromise nature" of the TRIPS Agreement is such that some of its provisions must be fleshed out by domestic law. By "compromise nature" it is meant that some provisions are open to various interpretations, and therefore the scope and form of implementation depends on the implementing country. There are certainly unambiguous provisions such as article 33 which states explicitly that "The term of patent protection available shall not end before the expiration of a period of twenty years counted from the filing date." For countries that follow the "first to file" system, one would expect their domestic patent law to provide for a term of patent protection in language almost verbatim or significantly close to the language in article 33. For those that follow the "first to invent" rule, as provided in the footnote to article 33, one would expect language to that effect in domestic patent law. The basic point is, however, that the term of patent protection would be a minimum of twenty years, either from the date of filing or from the date of invention, depending on the prevailing domestic system.

The real difficulty and source of variation in practice from country to country comes when one considers the equivocal nature of provisions such as article 27(3)(b). Here, the implementing country is faced with a number of choices. First, it would have to decide which plants and animals can be excluded from patentability, in line with the option not to patent certain of these animals and plants. Second, it would have to decide whether to exclude...
biological processes from patentability, and if so, which ones. Third, it would have to decide which of the three options for protection of plant varieties (patents, *sui generis* systems, or a combination of the two) to use. Fourth, if the choice is that of a *sui generis* system, it would have to decide what would be an effective model for such a system, because "effective" in this case imports to the mind differing levels of protection. Fifth, it would have to decide on the scope and form of such a system. Sixth, if implementation will be done through legislation, which is practically the only way to do it, then it would have to decide on whether to draft a comprehensive piece of legislation or some framework law that applies it domestically. And seventh, once such a law has been drafted and passed, it would have to notify the TRIPS Council in accordance with article 63 of the TRIPS Agreement.

5.1 Obligations created by article 27(3)(b)

Article 27(3)(b) invites WTO members to implement a set of specific minimum obligations. First, members are obligated to implement some form of IPR protection for plant varieties. This requirement is complicated by the lack of clear definitions. They have three options to protect plant varieties, whatever they define them to be, that is, patents, *effective* *sui generis* systems, or a combination thereof. The basic characteristics of such an IPR system are that it should create a discrete enforceable right on the part of the right-holder, and that such a right should be provided with an avenue to challenge and seek recompense for the violation. Indeed, the TRIPS Agreement greatly emphasizes enforcement.

Second, article 27(3)(b) as read in context with the rest of the primary obligations in the TRIPS Agreement, creates the obligation that every WTO member should accord non-discriminatory treatment, basically national treatment, to all nationals of other WTO members. This means that a Member cannot treat its own nationals better than the treatment it gives to nationals from other member countries; for example, it cannot give greater recognition of IPRs to its nationals as opposed to others. Connected with national treatment is the most-favoured nation treatment requirement, which means that any favours, privileges or immunities granted by a member to its national right-holders should be extended immediately and unconditionally to nationals of all other members.

Third, derived from the basic character of the IPR system that a WTO member sets up as discussed above, is the requirement that such a system
should provide for a judicial procedure for redressing any violations of the right-holder’s basket of IPRs. This judicial procedure should of course meet the basic requirements of due process. Enforcement procedures should in general be fair, equitable, simple and fast. Although there is no obligation in the TRIPS Agreement to create a separate system of intellectual property tribunals, some countries have created them, while others, among them, many African countries have had immense difficulties in dedicating resources into even basic enforcement mechanisms.\textsuperscript{164}

5.2 The mechanics of implementation

What do WTO members that wish to meet their obligations typically do? This is a question that may appear obvious but often one that many under-resourced developing countries grapple with. A number of considerations need to be borne in mind before a decision on what to do is actually made. First, at policy level, an evaluation needs to be made of the nature and size of the domestic seed industry (meaning seed production, certification, supply, trade and marketing), as well as the value and potential of the plant breeding programs. The seed industry, resource poor farmers who save seed from season to season, and plant breeders are usually most affected by legislative changes in the manner of protection for plant varieties. Second, again at policy level, a clear elaboration is needed of the national development goals, including prospects for the development of plant breeding programs, the biotechnology sector, the need for foreign direct investment and other related concerns. Third, the policy makers will need to consider the diplomatic implications of aligning national legislation with certain international agreements. In multilateral trade negotiations at the WTO, the issue of alliances is important. It is the only way to command clout and influence the evolution of trade policy for poor economies. Hence, the country will need to consider the kinds of diplomatic links and alliances it may need in the long-run, and therefore make an effort not to undermine them through ill-advised legislation. Fourth and most importantly, an evaluation of what options there are and their implementation costs, will be necessary. This should be done in a comprehensive and accurate manner. Often, such costing would include setting up an entirely new institutional mechanism, with skilled legal and technical personnel, infrastructure and laws to back it up. Given the heavy costs of implementing IPR laws,\textsuperscript{165} some

\textsuperscript{164} Dutfield (2003), p. 67.
\textsuperscript{165} See UNCTAD. 1996. The TRIPs Agreement and developing countries. UNCTAD/ITE/1.
commentators have often advised poor countries to set up regional institutions, or to use existing national institutions such as Attorney Generals' offices.

Once the preliminary policy decisions are made, the next step is to consider the method of implementation. In accordance with article 1(1) of TRIPS, WTO members are "free to determine the appropriate method of implementing the provisions of this Agreement within their own legal system and practice." To a large extent, this depends on the legal system of the country at issue. In this regard, there are two main legislative options. The first is a relatively short statute that incorporates the TRIPS Agreement into the laws of the country, giving it the force of domestic law. Regardless of the legal system, this is never a good option to take because the TRIPS Agreement is a framework set of minimum standards that involves options, and presupposes further action. With particular regard to article 27(3)(b), such a statute would inevitably need to be accompanied by legislation that indicates the choices that the country made in terms of the method of plant variety protection, and it will also have to deal with the administrative issues. A second approach is a comprehensive statute that sets out a series of clear objectives on the protection of IPRs. It would also spell out what IPRs and obligations are protected, the scope and exceptions of protection, and the procedure for enforcement, and remedies available in the event of infringement.

5.3 General obligations of particular relevance to implementation

5.3.1 The issue of transition periods

Tied closely to the question of implementation are the transition periods. Article 65 of the TRIPS Agreement provides the transition periods for developing countries. It allowed developing countries and transition economies to delay the implementation of the TRIPS Agreement for a period of five years, with the exception of articles 3, 4 and 5. Developing countries and newly independent states in Eastern Europe were allowed a period of five years from the date of entry into force, meaning 1 January 2000 was the deadline. For areas of technology not previously covered by legislation in developing countries, the deadline was set for 1 January 2005. For full implementation, LDCs were given until

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166 See articles 65(2) and 65(3) respectively.
Basic Legal Obligations

1 January 2006. Article 65 adds the caveat that any changes to laws or regulations during the transition period should not result in "any lesser degree of consistency with the provisions of the Agreement." This provision basically means that the minimum standards of the TRIPS Agreement should remain inviolate, and blocks any WTO member that may want to start whittling away what had already been negotiated. This issue was addressed, albeit obliquely, in the Indonesia – Autos case but with respect to the TRIPS provisions on trademarks. The United States claimed that Indonesia was in violation of its obligations under article 65(5) because its "National Car Programme", which had been introduced during its transition period imposed special requirements on nationals of other WTO members regarding the use of their trademarks. The United States contended that these obligations were inconsistent with article 20 of the TRIPS Agreement. The panel did not directly address the question of violation of article 65(5), because it made a finding based on article 20 itself, which precluded the necessity of a finding under article 65(5). The panel's finding was that the "National Car Program" trademark requirements were not 'requirements' in the sense of article 20. Further, that the United States had "not demonstrated that measures [had been] taken that reduce[d] the degree of consistency with the provisions of article 20 and which would therefore be in violation of Indonesia's obligations under article 65(5) of the TRIPS Agreement." The India – Patents case related the obligation to provide for patent protection with the temporal nature of transition periods and stated that developing countries that were still in the transition period were under no obligation to meet their obligations, in this case, specifically to provide for patent protection until the period of transition had expired. As indicated earlier, there are however certain provisions that apply even during the transition period, such as the non-discrimination requirement in article 3. Article 70(8) of the TRIPS Agreement has also been held to be one of those provisions that apply even during the transition period. In Indonesia – Autos, the panel noted that the transition period under article 65(2) did not apply to article 3, stating: "... we note that Indonesia has been under an obligation to apply the provisions of article 3 since 1 January 1996, article 3

167 Indonesia – Certain Measures Affecting the Automobile (WT/DS54/R), para. 15.1.
168 Id.
170 Id., para. 5.27.
171 Id., para. 5.55.
not benefiting from the additional four years of transition generally provided by article 65(2) to developing country members."

The general view by developing countries is that transition periods are far too short, and do not allow for the requisite changes in order to ensure effective implementation. In addition, transition periods *per se*, unaccompanied by meaningful technical assistance for example, amount to little more than a waiting period. Recent experience shows that developing countries are often at pains to comply with so many obligations that priority in implementation is often given to those on which some assistance is available. According to Mangeni for example, WTO transition periods are arbitrary, inadequate and inappropriate as periods for adjustment and preparation. He goes as far as to suggest that "in future, developing countries should not agree to any transition periods that lack a concrete plan and schedule, and specific funds availed and secured as part of the obligations of the agreements to ensure the implementation of any necessary adjustment and preparation."

5.3.2 Complying with the non-discrimination requirement

How does a WTO member comply with the national treatment and MFN requirements? Simply by a rigorously neutral drafting and practical application of IPR legislation. For the legal draftsman, compliance legislation would need to be drafted in such a way that first, it does not predicate the granting of protection, or indeed refer to the nationality of a potential right-holder, and second, that it does not grant any favours, privileges or immunities to the nationals that it does not give to other applicants or right-holders.

National treatment in the TRIPS Agreement, unlike its equivalent provisions in agreements on trade in goods where it applies to like products, refers to the treatment that individual nationals receive in the country in which they are applying for IPR protection. As explained earlier, MFN yields a multilateralizing effect for rights accorded to a WTO member's nationals, in the sense that it extends those rights to others. There are a few exceptions to the MFN requirement in the TRIPS Agreement. For example, it does not apply to benefits accorded to nationals of other countries under agreements

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173 Id.
for general judicial assistance or law enforcement, and international agreements on IPR protection that predate the TRIPS Agreement, meaning those that entered into force prior to 1 January 1995. Such IPR agreements should be notified to the TRIPS Council and they must "not constitute arbitrary or unjustifiable discrimination against nationals of other members."174

5.3.3 Complying with the notification procedures

Article 63 addresses transparency obligations. Article 63(1) requires WTO members to publish, or if publication is not practicable, to make publicly available all laws, regulations, judicial decisions and administrative rulings that relate to the subject matter of the TRIPS Agreement. Article 63(2) requires them to notify the TRIPS Council of any such laws or regulations from the date of compliance,175 and article 63(3) requires them to respond to requests for information from other WTO members. In the India – Patents case,176 one of the issues was precisely whether articles 63(1) and 63(2) apply during the transition periods. According to the panel's decision, India had not complied with the said provisions. On appeal, India argued that it was not obliged to make notifications until the expiry of the transition period, that is 1999. Although the Appellate Body did not rule on the issue, it seems that India's interpretation is correct.

VI. SUMMARY AND CONCLUDING THOUGHTS

Under the TRIPS Agreement, WTO members can exclude from patentability plants and animals and essentially biological processes that give rise to them, but they cannot exclude micro-organisms from such protection. They are also required to provide for some system of plant varieties protection, either by patents, sui generis systems, or some appropriate combination of both. The language of article 27(3)(b) gives rise to many legal interpretation uncertainties and complexities. As we have explained in this chapter, it is quite unclear what is meant by "micro-organism", "essentially biological processes" and many other terms liberally used; and neither is the scope of the provision clear given the fact that there is no definition of what constitutes a "plant variety". Clearly, considerable leeway was deliberately left to WTO members in their formulation of domestic IPR laws and policies.

174 Article 4(d), TRIPS Agreement.
175 WTO Doc. IPC/C/2
176 India – Patent Protection for Pharmaceutical and Agricultural Chemical Products (WTO Doc. WT/DS50/R) (September 1997), para. 5.27.
The emphasis here is that such regulatory and policy space should not be stifled by an overly restrictive interpretive approach of the open-ended issues that arise from the TRIPS Agreement.

In this chapter, it has also been noted that there are a number of approaches that countries could follow in complying with their plants and plant varieties protection obligations. In this case there are two dominant models: the United States approach, which emphasizes the patent approach, and the European approach, which emphasizes the *sui generis* approach. The United States grant plant patents, which are different from normal patents, also called utility patents. Sometimes normal patents could also be granted to plants. Plant varieties (as opposed to plants) on the other hand are also patentable in the United States. Other countries grant *sui generis* plant variety protection, typically plant breeders’ rights using a UPOV-style model. It should be remembered of course that in addition to this protection of plants and plant varieties, patents are heavily used in the protection of processes and scientific technologies used in research.

Many developing countries have viewed the *sui generis* option favourably. In fact, some like India only agreed to the TRIPS Agreement forming part of the single undertaking at the conclusion of the Uruguay Round precisely because of the flexibilities that they saw in that particular provision. Hence a choice of the form of *sui generis* system that both meets the requirements of TRIPS and also does not compromise national agricultural productivity priorities has remained a perennial concern. As we explained, inevitably, the form a *sui generis* system takes pre-empts judgment of its effectiveness. In essence, for WTO members intent on complying with TRIPS, it comes down to a choice of, and the relationship between, coexisting regimes. Almost all WTO members have signed the CBD and are active in the meetings of the ITPGRFA. In addition, some are members of UPOV 1978 or UPOV 1991. Therefore, the choice is not a stark "either/or" but a more nuanced evaluation of what aspects to borrow from each regime in order to meet a particular national objective.

This choice of regime is certainly not a trivial one, and many developing countries are often at a loss because of their relative unfamiliarity with the exact mechanics of either approach. They have also not had the benefit of long-running national debates on the functioning and benefits of either system, as is the case with both the United States and Europe, in which the issue has been on the table for some six decades. The UPOV system is at
Basic Legal Obligations

least one of the models that have been proposed with the advantages being that it is some kind of off-the-shelf ready legal regime that countries could adopt and have no worries about WTO compliance. The down-side to it is that it is heavy on plant breeders' rights, especially the 1991 revision. In this sense, certain aspects of it are unsuited to the subsistence and collaborative approach of rural agriculture in much of the developing world.

MAIN REFERENCES


5.

GEOGRAPHICAL INDICATIONS AND TRADE IN AGRICULTURAL PRODUCTS

Contents

I. INTRODUCTION 169

II. INTERNATIONAL REGIMES FOR THE PROTECTION OF GIs AND RELATED IPRs 172

2.1 The 1967 Paris Convention for the Protection of Industrial Property 172
2.2 The 1891 Madrid Agreement for the Repression of False or Deceptive Indications of Sources on Goods 173
2.3 The 1958 Lisbon Agreement on the Protection of Appellations of Origin and their Registration 174
2.4 The 1951 Stresa International Convention for the Use of Appellations of Origin and Designations of Cheeses 175
2.5 The TRIPs Agreement 176

III. THE PROTECTION OF GIs IN THE UNITED STATES 179

3.1 Features of the US approach 179
3.2 The BATF Regulations 181
3.3 The Lanham Act 182

IV. THE PROTECTION OF GIs IN THE EU 183

V. THE PROTECTION OF GIs IN OTHER COUNTRIES 185

5.1 The Bangui Agreement 186
5.2 The Andean Group 186
5.3 MERCOSUR, the "Group of Three" and the Revised Central American Convention 187
5.4 The EU-ACP Cotonou Agreement 187

VI. GIs AND TMs 188

VII. WTO DISPUTES ON TRADEMARKS AND GIs 191
VIII. DOHA ROUND NEGOTIATIONS AND GIs 195

IX. GIs, TMs, AND ENHANCED TRADE OPPORTUNITIES ACCESS 198

X. SUMMING UP AND CONCLUSIONS 201

MAIN REFERENCES 202
I. INTRODUCTION

Geographical Indications (GIs) are place or country names that identify the origin, quality, reputation or other characteristics of products.1 Often, they are associated with, and serve to distinguish, a particular product from its competitors. In that sense, GIs can be a valuable rural development and marketing tool, particularly for small and medium size enterprises involved in the production of niche, high quality or popular commodities.2 Such enterprises are common in both developed and developing countries.

What is the conceptual origin of GIs? To respond to this question, it bears remembering that present-day popular or exotic products initially had specific geographical places of origin to which they were eventually inseparably associated in the minds of consumers. These qualities were often distinctive, superior or special in some way. They set the product apart from the rest of its competitors. With increased movement of people across geographical or national boundaries, these distinct, superior or special products gained increased popularity or usage, and became more widespread and readily available. In addition, some of the original producers sought markets beyond their geographical confines. They marketed and sold their products in other regions, often with positive reception in the destination markets contributing to even wider availability and distribution. Hence, the geographical name of such a product began to denote certain appreciable qualities in the market.

The legal protection of "trading names and marks" deriving from the origin of a product is not new in most countries. It has been done, in particular regarding food products, at least since the end of the nineteenth century using laws against false trade descriptions or passing off. Such laws generally make it illegal to attribute the origin of a product to a region where it does not in fact come from. They also disallow imputing certain misleading qualities to a product. Conceptually, the main objective of these laws is consumer protection; that is, that the consumer should not be misled into purchasing products by an erroneous representation of their origin or quality. In addition, there is a concomitant monopolistic and anti-

1 Article 22.1 of the WTO Agreement on Trade Related Aspects of Intellectual Property Rights,
competitive effect, in the sense that the genuine producers of goods with the protected name are granted the right to use it to the exclusion of others. These producers therefore derive an exclusive benefit that is protected by law. The effect of national laws on the protection of GIs is to limit the use of GIs only to products (or parts thereof as the case may be) that originate from the designated area or region and that meet certain production standards and quality. In many instances, some kind of association, collective or industry group ensures that producers maintain the standards and quality, or they could forfeit the right to use the GI. Hence, the association or industry group may own the exclusive right to the use of the GI.

There are two main methods through which countries provide for the protection of GIs. First, they may do so through existing intellectual property or competition laws. Their second option is to offer protection through legislation dedicated to the specific protection of GIs. The example of South Africa, where general Trademarks (TM) and alcohol laws have been used to protect GIs, illustrates the first method. Section 10(2)(b) of the South African Trade Marks Act No. 194 of 1993 defines a trademark to include "a sign or an indication which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, and geographical origin" of a product. Hence, by virtue of the reference to "geographical origin" the TMs law covers the protection of GIs as well. Further, section 10(12) states that a TM that is "inherently deceptive" shall not be registered as such or shall, if registered, be capable of being expunged from the TM registry. The consequence of this provision is that if GIs are used in a manner misleading to the consumer, they shall be expunged from the record and their protection withdrawn. In addition to the TMs law, section 12(1) of the South African Liquor Products Act No. 60 of 1989 provides that "no person shall use any name, word, expression, reference, particulars or indication in any manner either by itself or in coherence with any other verbal, written, printed, illustrated or visual material in connection with the sale of a liquor product in a manner which conveys or creates, or is likely to convey or create, a false or misleading impression as to the nature, substance, quality, composition or other properties, or the class, cultivar, origin, age, identity, or manner or place of production, of the liquor product." This provision makes it an offence to use GIs in a false or misleading manner, but also raises the standard of protection in the sense that even if the geographical area of production may be correctly mentioned, a producer may be disallowed from using the GI if the other conditions, such as quality, are not met.
As mentioned above, the second method for protecting GIs is through legislation dedicated to their specific protection. A good illustration of this second approach is the European Union. On 14 July 1992, the EU passed Council Regulation (EEC) No. 2081/92 whose objective is to protect GIs and designations of origin for agricultural products other than wines and spirits. Article 2 of the regulation provides for two classes of GIs. The first, the "protected designation of origin", for example "Prosciutto di Parma", designates the name of a region, place, or country that is the origin of a product "whose quality is exclusively due to a particular geographic environment". According to recent judgment from the European Court of Justice regarding Greek "Feta" cheese, "…a PDO, a traditional name such as "feta", which is not the name of a region, place or country, must refer to an agricultural product or a foodstuff from a defined geographical environment with specific natural and human factors which is capable of conferring on that product or foodstuff its specific characteristics. Moreover, the name cannot have become generic." The second, "the protected geographical indication", for example "Scottish Lamb", designates a region, place, or country that is the origin of a product "which possesses a specific quality, reputation, or other characteristics attributable to the location or origin." By article 13 of the regulation, both of these are protected from "any direct or indirect commercial use of the 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."

This chapter seeks to accomplish two things. First, it explains the existing regimes for the protection of GIs. In this regard, it focuses on the two dominant methods, that is the United States TM law-based approach, and the EU approach which to a large extent, but not exclusively, derives from the French concept of "appellations of origin". Second, the chapter maps out the broad outlines of the on-going debate on GI protection for products other than wines and spirits in the context of the WTO Doha Round of trade negotiations while paying particular attention to the position taken by developing countries in the on-going negotiations.

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3 See Germany and Denmark v. The Commission, Case No. C-465/02 and C-466/02 (2005).
II. INTERNATIONAL REGIMES FOR THE PROTECTION OF GIs AND RELATED IPRs

There are a number of international legal instruments that provide for the protection of GIs and similar IPRs. These include: the Paris Convention for Protection of Industrial Property, the Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods, the Lisbon Agreement on the Protection of Appellations of Origin and their Registration, and the TRIPs Agreement.

2.1 The 1967 Paris Convention for the Protection of Industrial Property

According to its article 2(1), the convention applies to the widest range of industrial property, including "indications of source and appellations of origin and the repression of unfair competition." "Industrial property" is defined at article 1(3) of the Paris Convention to include "all manufactured or natural products, for example, wine, grain, tobacco leaf, fruit, cattle, minerals, mineral waters, beer, flowers, and flour." It was in the Paris Convention that the distinction between "indications of source" and "appellations of origin" was made for the first time. An "indication of source" refers to the geographical place or country of origin of a product. Hence, a typical infringement of an "indication of source" would be to produce it in a place other than what is stated in the name. (Owing to opposition to stronger wording during the Uruguay Round trade negotiations there is no absolute prohibition on the use of false indications of source in the current TRIPS framework).

Article 9 provides the remedies available in the event of infringement of marks and trade names. These remedies are seizure of all goods unlawfully bearing a trademark or trade name, or in the event that the law of a particular country does not allow seizure, then it shall be replaced by a prohibition of importation of the offending products. Article 10(1) provides that the remedies in article 9 shall apply in "cases of direct or indirect use of a false indication of the source of the goods or the identity of the producer, manufacturer, or merchant." Hence, the mischief that the provision seeks to address, that is the falsehood in the source of the goods, relies on consumer perception.

The Paris Convention approaches the issue of GI protection from the angle that it constitutes unfair competition. According to article 10bis unfair
competition arises when acts carried out by a competitor create confusion, when a competitor uses false allegations in the course of trade so as to discredit the establishment, the goods, or the industrial or commercial activities of a competitor, or when indications or allegations mislead the public as regards the "nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods." The use of the word "characteristics" in article 10bis, as opposed to the earlier proposed which was "the origin" means that only the importation of products containing "false" indications of geographic origin are prohibited. Geographic names which are merely misleading are not disallowed. Consequently, the Paris Convention only offers very limited GIs protection. A finding of infringement relies heavily on the consumer's perception of deception. In addition, its limited impact on GIs protection may be discerned from the fact that despite its many signatories totalling 169 as at April 2005, the Paris Convention has to be implemented through national law, which many of its signatories have not done.

2.2 The 1891 Madrid Agreement for the Repression of False or Deceptive Indications of Sources on Goods

The Madrid Agreement states its purpose in its title: the "repression of false or deceptive indications of sources on goods." Despite the prominence of the phrase "indications of source" in the agreement, this phrase is not defined. According to article 1(i) of this agreement, "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." In the event that seizure is not possible under national law, the agreement provides that import prohibitions should be applied.

Article 4 of the Madrid Agreement is most instructive in its categorical statement that geographical indications of wines shall not be used as generic terms. It states: "The courts of each country shall decide what appellations, on account of their generic character, do not fall within the provisions of this Agreement, regional appellations concerning the source of products of the vine being, however, excluded from the reservation specified by this article." This agreement is therefore stronger than the Paris Agreement regarding the extent of protection it gives to geographical indications on wines. In fact, its very existence arose from the dissatisfaction with the Paris Agreement. As of
April 2005, the agreement had 34 contracting parties; it has not attained a high degree of popularity partly owing to the perception that its provisions on GIs protection are too exacting.

2.3 The 1958 Lisbon Agreement on the Protection of Appellations of Origin and Their Registration

This agreement offers the strongest protection for GIs. It was negotiated in keeping with article 19 of the Paris Convention. It is influenced to a large extent by the French Code de la consommation, in the sense that it borrows the concept of "appellations of origin" as opposed to the concept of "geographical indications" used in the TRIPS Agreement. At article L.115–1, the Code de la consommation defines the appellation d'origine controlee as "the designation of a country, a region, or a locality that serves to indicate that a product originates from that place and owes its quality or characteristics to its geographical surroundings, including natural and human factors." It should be noted that the definition includes not only "human factors" but also "natural factors." The idea is therefore that only those products manufactured according to local traditions by local people qualify for protection under the protection of geographical appellations of origin.

According to article 2 of the Lisbon 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." Like in the French Code de la consommation, this definition includes both the human and natural factors. According to its article 3, the agreement ensures the protection of appellations of origin against 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".

The main objective of appellations of origin is to guarantee the authenticity and origin of the raw materials and the traditional practices of the communities involved. As opposed to TMs law, appellations of origin guarantee consistency in manufacturing practices and the other natural (including climatic conditions and soil quality) and human practices that go into the production process of the protected item. Another difference with TMs is that an appellation of origin can never go into public domain and the name or designation cannot be used for "any similar product or for any other
product or service as long as such a use is capable of altering or weakening the distinctiveness of the appellation of origin." According to the Lisbon Agreement, an appellation of origin must first be protected under national law, and then notified to the World Intellectual Property Organization (WIPO). It is then WIPO's duty to publish and notify this protection to all the other members of the Lisbon Agreement. All participating countries must oblige by protecting the appellation of origin upon notification unless they object within one year. Article 6 is strict in terms of the level of protection it offers. It states that, "an appellation which has been granted protection in one of the countries ... cannot, in that country, be deemed to have become generic, as long as it is protected as an appellation of origin in the country of origin."

The agreement provides a two-year phase-out period for appellations of origin which conflict with TMs in cases where the TM was registered prior to the appellation of origin in violation of the "first in time first in right" rule. According to article 5, "If an appellation which has been granted protection in a given country pursuant to notification of its international registration has already been used by third parties in that country from a date prior to such notification, the competent office of the said country shall have the right to grant to such third parties a period not exceeding two years to terminate such use, on condition that it advises the International Bureau accordingly during the three months following the expiration of the period of one year."

In sum, the Lisbon Agreement gives the greatest protection to appellations of origin, and considers them superior to TMs. However, relatively few countries, 23 in total, are parties to the agreement.

2.4 The 1951 Stresa International Convention for the Use of Appellations of Origin and Designations of Cheeses

According to its article 2(1), the Stresa Convention of 1951 is reserved for "fresh and matured products obtained by draining after the coagulation of milk, cream, skimmed or partially skimmed milk or a combination of these", or by "products obtained by the partial concentration of whey, or of buttermilk, but excluding the addition of any fatty matter to milk." It applies to all specifications which constitute false information as to the origin, variety, nature or specific qualities of cheeses, which are stated on products which might be confused with cheese.
Under article 3 of this convention only "cheese manufactured or matured in traditional regions, by virtue of local, loyal and uninterrupted usages" may benefit from protection based on designations of origin governed by national legislation. For example, "Gorgonzola (Italy)" is listed as a designation of origin under the convention. By law, Gorgonzola is only produced in a defined area which includes the provinces of Bergamo, Brescia, Como, Cremona, Cuneo, Milan, Novara, Pavia, and Vercelli, as well as the zone of Casale Monferrato. Gorgonzola is one of only three Italian cheeses which qualify, under the Convention, to be classified as Denominazione di origine controllata. Article 1 of the convention prohibits the use of any names which conflict with protection granted under the convention.

2.5 The TRIPS Agreement

The TRIPS Agreement, which came into force in 1995, is the most comprehensive agreement on intellectual property rights (IPRs). It covers all major IPRs, including trademarks and GIs. It should be noted that even before the TRIPS Agreement came into force, there was a provision in the GATT, article IX, which could have been used to confer protection on GIs. This provision was however framed very weakly, merely requiring the contracting parties to "cooperate" in ensuring that distinctive or geographical names in products were not used in a manner that would misrepresent the true origin of a product. The mechanism for cooperation was not specified and was never discussed. This provision amounted to little more than a best endeavour un-enforced clause. This was probably deliberate, given that when the Havana Charter article corresponding to GATT article IX was discussed at the Havana Conference in 1947, "...it was agreed that the text of the paragraph 7 [present GATT article IX:6] should not have any effect of prejudicing the present situation..." In other words, as far as possible, the status quo should be maintained. In the 1987 Japan–Taxes on and Labelling of Alcoholic Beverages dispute, the European Communities claimed that wines and alcoholic beverages imported into Japan did not enjoy adequate protection regarding origin marking contrary to Japan's obligations under article IX:6. All that the panel could recommend regarding this was that the two parties should "cooperate...with a view to preventing the use of such trade names in such a manner as to misrepresent the true origin of a product, to the detriment of such distinctive regional or geographical names ..."

Contrary to the GATT provision, the TRIPS Agreement is much more elaborate in its treatment of GIs. At article 22(1), it defines GIs 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 geographical origin" (emphasis added). A number of issues are evident from this definition. First, the availability of GI protection is limited to goods – it does not extend to services. Second, "a good" can mean any commodity, including all kinds of agricultural products and foodstuffs, despite the fact that article 23 is focused on wines and spirits. Third, the provision also mentions certain criteria that should be considered as being either quality, reputation or other characteristics alone. This means that any of the three are sufficient for eligibility, whereby quality would refer to some positive attributes, reputation would refer to favourable impression by users or consumers, and "other characteristics" could include physical attributes such as colour. And fourth, as a link between the product and its origin, the provision requires that the product should be "essentially attributable to its geographical origin." This language seems to have some flexibility in it, in the sense that "essentially attributable" is not only based on geographical connection (for example because of terroir, or the quality a product derives from the soils or climatic conditions of an area) but perhaps also by reputation.

Article 22(2) provides as follows:

"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 10bis of the Paris Convention (1967)."

This provision outlines the basic standard for GIs protection. It also has some in-built interpretive flexibility. For example, "the legal means" can refer to any number of methods of protection. Legislation, regulations, administrative mechanisms or even principles of common law such as unfair competition or passing off, are all included within the scope of conceivable "legal means" of protection. The phrase "misleads the public" is comparable with the TM law concept of "consumer confusion" and "likelihood of confusion", as found for example in article 16 of the TRIPS Agreement. What "public" means here is open to various interpretations. It could mean for example the "wider public" or the specific habitual consumers of a particular product.
Further, the circumstances in which a consumer will be confused as to the geographical origin of product in practice are also not easy to establish legally. In addition, article 22(2)(b) refers to "any use which constitutes an act of unfair competition within the meaning of article 10bis of the Paris Convention." Article 10bis of the Paris Convention refers to the doctrine of "unfair competition." In this cross-reference, the TRIPS Agreement imports the common law and civil law causes of action for GIs. This is significant because it broadens the base for causes of action and therefore the degree of protection available for GIs.

Article 23 provides for a higher level of protection for GIs of wines and spirits. Article 23(1) states as follows:

"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."

"Legal means" in this provision also introduces flexibility as to the mechanisms for protection. Protection is accorded even in circumstances when use of a GI might not mislead the public or even if it is accompanied by expressions such as "kind", "type", "style" or "imitation". In sum, article 23 increases the protection for GIs of wines and spirits beyond what is contained in article 22(3) which does not prohibit incorrect GIs if they are not misleading to the public.

Article 24 spells out the exceptions to the rules, that is, situations when a WTO member may decide not to protect GIs. It allows persons who have used a GI 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 ten years preceding 15 April 1994 or (b) in good faith preceding that date, to continue doing so. Further, in case a GI is synonymous 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, that member does not have to protect that GI. Hence, generic GIs are not necessarily able to be protected,
although WTO members can opt to waive this provision and grant protection to generic GIs anyway. In France for example, a GI can never be generic. According to article 24(9), there is no obligation to protect GIs which are not protected or for which protection in the country of origin has ceased or which have fallen into disuse in that country.

### III. THE PROTECTION OF GIs IN THE UNITED STATES

#### 3.1 Features of the US approach

The historical core of the US approach to GIs can be found in the 1872 Supreme Court ruling in the case of *Canal Co. v. Clark* in which the court decided that GIs were not distinctive enough to warrant protection as trademarks because they "point only at the place of production, not the producer." Accordingly, U.S. courts have held that GIs should only be protected if secondary meaning can be shown. Secondary meaning only exists when "customers [...] come to use a geographically descriptive word in a new and secondary sense of indicating only one source and quality for goods and services." An example of an instance where a US court held secondary meaning existed was in *American Waltham Watch Co. v. United States Watch Co.*, where the court held that although "Waltham" originally only referred to the location of the company, it eventually developed a secondary meaning of watches that were made by a specific manufacturer.

The central point of departure between the US and EU approaches to the protection of GIs lies in the fact that the US does not enthusiastically support the whole idea of GIs. Some commentators have attributed this to the absence of a long tradition of local food and wine processing industries and others to the prevailing economic orthodoxy:

> The business world of the US is oriented towards liberal economic theory which is based on individual ownership. It follows that Americans are familiar and comfortable with trademarks as a way of protecting the intellectual property associated with a business name. Trademarks belong to individuals or corporations, and corporations are treated as individuals before American law. [...]There are collective certification marks, but these belong to a group of

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4 *Canal Co. v. Clark*, 80 U.S 311 (1872).
producers that is usually incorporated. The result is that collective certification marks act much like regular trademarks.\(^7\)

The US does not have a law on GIs other than its law on TMs. Hence, while the EU takes the position that product names should be protected based upon their status as GIs, the US does not in general grant TM protection to such names because many product names are considered as simply generic rather than references to specific geographic locations. When a geographic term becomes so associated with a product that the term comes to mean the product, the geographic product name is considered generic, and receives no exclusive trademark rights. In the US, \textit{McCarthy on Trademarks and Unfair Competition} lists as examples of familiar generic terms: French fried potatoes, Brussels sprouts, Danish pastry, English horn and Bermuda shorts.\(^8\) It is important to note that it is also possible for a geographic term that started out as generic to eventually gain protected status if it is used exclusively by a single seller and acquires secondary meaning. In \textit{Anheuser-Busch, Inc. v. Budweiser Malt Products, Corp.}, the court held that the term "Budweiser," which was derived from the term "Budweis", had previously come to be known as a generic term for a beer brewed in any location by a special brewing process first originating in Budweis, Bohemia and had acquired a secondary meaning to describe only beers sold by Anheuser-Busch.\(^9\)

In the US, consumer protection is the primary legal concern. The basic objective of US TMs law was to protect those that use words, names, symbols or other devices to identify their goods and services. GIs that are merely generic as opposed to actually identifying a source are generally not protected under the TMs regime. The use of these generic GIs is controlled by a set of regulations issued by the Bureau of Alcohol, Tobacco and Firearms (BATF) found within the Office of the Secretary to the Treasury. The BATF’s authority to issue these regulations derives from the 1935 Federal Alcohol Administration Act. This vests in the Secretary of the Treasury the authority to make regulations on the labelling of distilled wines, spirits and malt beverages. Hence, BATF is charged with regulating the use of domestic and foreign GIs through its labelling power.


\(^9\) \textit{Anheuser-Busch, Inc. v. Budweiser Malt Products, Corp.}, 295 F. 306 (2d Cir. 1923).
One of the fundamental differences between the EU and US approaches is that the EU does not give much credence to the view that certain GIs are merely generic. Hence, the regulations on the use of generic GIs issued by BATF are at odds with the EU approach, and this difference is evidence of the rift between the two regimes. The current provisions in the TRIPS Agreement provide for the protection of GIs and additional protection for GIs in wines and spirits. Owing to the exceptions in TRIPS, it did not change the US approach much even though an amendment to the TM law was made in 1996.

3.2 The BATF Regulations

The BATF Regulations divide GIs for wines into categories with differing protections. Hence, according to the Code of Federal Regulations, section 4.24, there are three categories of geographic significance: generic, semi-generic, and non-generic. The first category of "generic" names refers to those which according to BATF, designate a class of wine and which originally possessed geographical significance. Examples include sake and vermouth.

Semi-generic indications are those which do not originate from the geographical indication. They can be used as GIs as long as the label bears the actual place of origin in addition to the geographical name. Examples of these include Burgundy, Chianti, Chablis, Champagne, Port, Sherry and Tokay. Non-generic indications are those that are neither generic nor semi-generic, and are therefore not distinctive and can be freely used to designate a wine. Examples include American, California, Napa Valley, French, Spanish, and others. Non-generic indications might also be those that, according to BATF, are clearly distinctive of a specific grape wine distinguishable from all others, for example Bordeaux blanc, Rhone, Schloss Johannisberger and Lacryma Christi.

BATF also regulates appellations of origin, in a manner that is actually quite similar to the French appellations of origin concept. It requires wine grape growing areas to contain evidence: (i) that the name of the viticulture area is locally and nationally known; (ii) the boundaries of the viticultural area are known and specified in the application; (iii) and geographical features such as climate, soil, elevation, physical features, which distinguish the viticultural area from the rest of the surrounding areas.
3.3 The Lanham Act

Prior to the coming into force of the TRIPS Agreement, the Lanham Act (or the US Trademark Act, 15 U.S.C, section 1127) prohibited the registration or use of any "deceptive marks" and marks that were "primarily geographically descriptive" or "deceptively descriptive." Following the TRIPS Agreement, in 1996 Congress amended the law to specifically prohibit the use of GIs which when used on wines and spirits identifies a place other than the actual origin of the products.

The Lanham Act's refusal to register "primarily geographically descriptive" marks parallels the BATF's treatment of "generic" terms. What does "primarily geographically descriptive" mean in practice? The first step in analysing this phrase is to examine whether the mark is "primarily," geographically descriptive. This means determining whether the term's geographical significance is or is not of primary significance to purchasers. It also means looking at whether the geographic term is "minor, obscure, remote or unconnected to the goods". If it is found that the mark is primarily descriptive then it is not protected unless it acquires a secondary meaning.\(^\text{10}\)

"Primarily geographically deceptively misdescriptive" marks use a term that does not describe the location where the goods or services originate. No protection is granted to such a mark if: (i) the primary significance of the mark is merely geographic; (ii) a purchaser is led to think that the product originates in the place identified in the mark; and (iii) the goods do not actually originate from the place identified.\(^\text{11}\)

Finally, the Lanham Act does not grant any protection to marks that are "deceptive". In order to determine whether a mark is "deceptive", a similar test can be undertaken to the one above for "primarily geographically deceptively misdescriptive marks". The only difference is that an additional materiality prong is included, which asks whether the purchaser's erroneous belief as to the origin would materially affect his decision to buy the good.\(^\text{12}\)

The difference between the two types of deceptive geographic marks is that a mark found to be "primarily geographically deceptively misdescriptive" may be considered for registration on the Principal or Supplemental Register.

\(^\text{10}\) Trademark Manual of Examining Procedure, second edition, Revision 1.1 (August 1997) §1210.05 (hereafter, "T.M.E.P").

\(^\text{11}\) T.M.E.P. §1210.06

\(^\text{12}\) T.M.E.P. §1210.07
Basic Legal Obligations

under certain conditions involving when the geographic term gained secondary meaning, whereas a mark found to be simply "deceptive" can never be considered for registration.

IV. THE PROTECTION OF GIs IN THE EU

The EU and its member countries have had a long history of regulating the use of GIs and related IPRs. Before 1992, the EC did not have a common approach to the protection of GIs. Each member adopted its own way of dealing with the issue, either through general or specific laws. At the EC level, "several acts regulating product designations for wines and spirits were adopted as from 1970, but there were no rules for agricultural products and foodstuffs".13 This situation remained unchanged until 1992.14 In that year, Council Regulation on the Protection of Geographical Indications and Designation of Origin for Agricultural Products and Foodstuffs, was adopted.15 Subsequently, it entered into force on 26 July 1993. In broad terms, the EU’s regulation of GIs is part of its wider economic and agricultural strategy including adjustments to the Common Agricultural Policy and consumer protection.

The scope of the regulation is limited only to agricultural products and foodstuffs. This means that industrial products are excluded from its coverage. The regulation therefore covers products such as mineral and spring waters, bread, pastry, cakes, confectionary, biscuits, natural gums and resins, beer and others. It does not cover wines and spirits which come under different regulations. The EU Regulation on wines16 sets only minimum standards and thereby leaves room for individual EU members to formulate more precise protection. According to its article 6, Regulation 2081/92 provides for the maintenance of a register of GIs to be protected by the EC. In article 10, it also includes specifications that protectable GIs should meet and implementation mechanisms in the sense that member countries are required to have inspection procedures to ensure that the specifications are complied with.

14 Increasingly, the need to develop EC-wide legislation on GIs was felt. In particular, the case regarding Cassis de Jijon in 1978 served to emphasize this need and to push the EU to review its food law. See Case 120/78, Rewe Zentrale v. Bundesmonopolverwaltung für Branntwein (1979) E.C.R 649 3 C.M.L.R 494.
The regulation has a number of distinctive features. For instance, rather than using the French concept of "appellations of origin", the regulation instead refers to "geographical indications" (like in the TRIPS Agreement), and "designations of origin". Article 2 distinguishes between these two. A "designation of origin" is the name of a region, specific place or a country, used to describe an agricultural product or a foodstuff. However, in order to be registrable, the "designation of origin" must meet three conditions: the product must originate in that geographical area, the quality or characteristics of the product must be essentially or exclusively due to the geographical environment including natural and human factors, and the production, processing and preparation of the product must take place in the defined geographical area.

A "geographical indication" on the other hand is the name of a region, a specific place or a country, used to describe an agricultural product or foodstuff. It can only be protected if the product originates in the designated geographical area, if the specific quality, reputation or other characteristics of the product are attributable to its geographical origin, and if the production, processing and preparation of the product takes place in the defined geographical area. The Appellation of Origin requires production, processing and preparation to take place in the designated region, while use of a GI is available as soon as just one of them takes place there. Hence, the GI is broader in scope as it does not include in its criteria the environment, natural and human factors. The French inclusion of all these factors in the "appellation of origin" doctrine is similar in definition to the "designation of origin". In article 13(3), the regulation precludes the possibility of a GI falling into public domain. In general, its protection of GIs is quite strong. For instance, its article 13 does not allow the use of a GI even if it is accompanied by a qualifying word such as an "imitation of Gorgonzola". According to this article, registered GIs and "designations of origin" benefit from the same protection in all member states of the EU. The bundle of rights it assigns a proprietor of such an IPR includes the right of exclusive use of the designation or GI.

Finally and quite importantly, the EU Regulation tries to resolve any tensions between GIs and designations of origin on the one hand, and TMs on the other. Article 14 relies on the motive of registration to distinguish between a TM whose protection can continue and one whose protection would have to cease in the event of conflict. In sum, it says that if a TM which predates a GI or designation of origin was registered in bad faith, its protection would
cease as soon as the parallel GI or designation of origin is registered. If on the other hand a TM was registered in good faith, it could co-exist with a GI or designation of origin for a specified period of time. Article 14 also places restrictions on the registration of GIs or designations of origin when they would overlap with a TM which enjoys a wide reputation and if such registration would be deceptive or confusing.

Recent changes have been introduced by way of Regulation No. 692/2003. This regulation has amended article 14 of Regulation 2081/92, by extending its application to non-EU countries if certain conditions are met. These conditions are: a comprehensive product specification, effective inspection arrangements and right to objection and, lastly, the conferral of equivalent protection to corresponding products coming from the European Union.

V. THE PROTECTION OF GIs IN OTHER COUNTRIES

In general, the practice in common law countries for the protection of GIs is included in the laws on TMs, unfair trade practices and consumer protection. This is the case for example in Canada and Australia. The laws on unfair trade practices bar companies from engaging in deceptive practices such as wrongly and misleadingly stating the origin of a particular product. Controlling unfair trade practices is hence essentially a consumer protection strategy. The common law tort of *passing off* is designed to protect the reputation of producers against people seeking to trade on that reputation. It bars anyone from passing his products off as someone else’s. False statements and resultant losses are essential components of passing off. Consumer protection may be secured by unfair trade practice law, or separate legislation. It broadly punishes any person who, in trading, gives a false description of products. In countries that apply the civil law system, the concept of terroir seems to be prominent as a basis for granting protection.

In compliance with the TRIPS Agreement, many African countries have just enacted or are in the process of drafting national legislation on GIs. Some, like Namibia, still use TMs law to protect GIs. Others like Côte d’Ivoire have specifically addressed GIs in keeping with the provisions of the Bangui Agreement. The South African Agricultural Product Standards Amendments Act No. 63 of 1998, which authorizes the government to restrict the use of a "specified" geographical name, brought South Africa into compliance with its GIs obligations in TRIPS. Additionally, in the Trade and Development Cooperation Agreement of 1999 (a free trade agreement between
South Africa and the European Union), an obligation was included in which South Africa committed itself to phase out the use of the terms "Oporto" or "Porto" and "Sherry" or "Jerez" and other "traditional expressions" of wines such as "regional wines" or "vin de pays." In Mauritius, the Geographical Indications Act of 2002 extends GIs protection to anyone that is engaged in the production of the protected product in the designated geographical area. In this sense therefore, it does not restrict Mauritian GIs to only holders of Mauritian nationality. The law also establishes a registration system for GIs with a fairly elaborate procedure for submitting and approval of applications.

5.1 The Bangui Agreement

The Bangui Agreement signed on 2 March 1977 created the African Intellectual Property Organization. The agreement enjoins its members to recognize and cooperate in the enforcement of different categories of IPRs including appellations of origin. Members of the agreement declare their willingness to subscribe to all the major international conventions in intellectual property including the Trademark Registration Treaty of 1973. The agreement also provides for common administrative procedures through a centralized application and registration process for all IPRs. It does not restrict the usage of a GI to a particular group but instead extends it to anyone, including foreigners that meet the expected criteria in article 3 of its Annex VI, as long as they are carrying out business in the covered Bangui Agreement area.

5.2 The Andean Group

The Andean Group Decision 344 of 1993 is the common patent and trademark law for the five Andean Pact countries. It applies directly in the member countries and does not require ratification. It provides for the protection of the exclusive right to make use of officially recognized "appellations of origin" at Chapter VII. In general, the decision prohibits the registration of marks consisting exclusively of signs or indications which may be used in commerce to designate or describe the species, quality, quantity, destination, value, origin, time of production, or other characteristics of the products or services to be protected.
5.3 MERCOSUR, the "Group of Three" and the Revised Central American Convention

The 1995 MERCOSUR 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.

The agreement establishing the "Group of Three", comprising Colombia, Mexico and Venezuela, lays down the right of member countries to protect "designations of origin" and geographical indications. However, it is left to domestic legislation to determine the conditions for protection.

The Revised Central American Convention for the Protection of Industrial Property was signed between El Salvador, Guatemala, Costa Rica and Nicaragua. Its 1994 revision requires the protection of geographical indications, using the same definition of that notion as employed by article 22(1) of the TRIPS Agreement.

5.4 The EU-ACP Cotonou Agreement

This agreement, which was signed in 2000, defines IPRs to include GIs. At article 46(1), it commits the parties to further negotiations on the protection of GIs:

"... the parties recognise the need to ensure an adequate and effective level of protection of intellectual, industrial and commercial property rights, and other rights covered by TRIPS including protection of geographical indications, in line with the international standards with a view to reducing distortions and impediments to bilateral trade."

However, in the on-going negotiations between the EU and ACP countries on Economic Partnership Agreements, it is unclear whether intellectual property rights in general or GIs in particular are included in the agenda of negotiations. In the negotiating mandate for the Eastern and Southern Africa (ESA) region for example, the relevant paragraph in the mandate ambiguously states:
"Taking into consideration the importance of trade-related issues [including IPRs issues] as reflected in the Cotonou Agreement and the progress being made in the development of trade-related issues at the regional level as part of the regional integration process, the ESA region will, through the Regional Preparatory Task Force, study at the ESA level how to build capacities in trade related areas and subsequently decide on whether to incorporate trade related issues into the ESA EPA negotiations after further progress on the Doha Development Agenda has been made."

The results of the negotiations, namely, the Economic Partnership Agreements, are due to enter into force in 2008. If and until the negotiations address specific IPRs issues, it is unlikely that a clear picture will emerge regarding the impact of these agreements on GIs protection. What is possibly true however is that the negotiations process will increase the level of awareness on GIs and their impact on trade and market access opportunities for ACP countries.

VI. GIs AND TMs

In many countries the protection afforded to GIs by law is similar to the protection afforded to certain forms of intellectual property. In particular, there are similarities between the protection given to GIs and that given to TMs and certification marks.

Although a GI is not a type of TM as it does not serve to exclusively identify a specific commercial enterprise, there are usually prohibitions against registration of a trademark which constitutes a geographical indication. A TM is a distinctive sign of some kind used by a business to identify itself and its products or services to consumers, and to set the business and its products or services apart from those of other businesses. It does not only indicate the origin of a product but is also an expression of the producer's will to make an industrial effort. In a decision of the German Constitutional Court, the latter stated: "A trademark does not only indicate the origin of a product but is an expression of the producer's will to make an industrial effort. A person thus acquiring an asset must be protected by the constitutional guarantee of property. The aim of constitutional protection is to grant security concerning those acquired assets and the reliance on the continued existence of a person's rights. State measures depriving the
Basic Legal Obligations

trademark owner of his rights do not comply with this constitutional protection of property.\textsuperscript{17} A TM is always registered and legally restricted to the use of the owner or manufacturer of that particular product.\textsuperscript{18} Like GIs, TMs that have been in use for long periods of time and that identify certain popular or high quality products can be of great commercial value.

Whereas one can produce a trademarked product in any geographical location and market it under the TM, a GI product is tied to a particular geographical location and method of production. This is the main conceptual distinction between GIs and TMs. Beyond this, save for the fact that GIs cover only products while TMs can cover both products and services, GIs and TMs clearly overlap. Conflicts between the two arise because of this overlap of otherwise legally distinct regimes, with differing levels of protection. The TMs system vests prior rights and renders the words used in the name in a manner that is generic and open, the GIs system vests stronger rights in the holder in the sense that the names used are used for purposes of attaching the product to its origin or mode of production. In this sense, the rights under the GIs system may be characterized as being largely more exclusive and closed. In France for example, GIs can never be generic. Further, as we explain later in this chapter, under the Madrid Agreement and the WTO Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), GIs for wines can never also become generic over time.

The increase in popularity for GIs in products is exactly what happens with TMs. One\textit{ caveat} however relates to the place of production. For a GI, production has to take place in a particular designated geographical area while for a TM, production can occur anywhere. Despite a legal distinction in terms of the bundle of rights available under each of the two regimes, there is little practical difference in their daily effects or application. This is the genesis of the problem that is the subject of international debate regarding GIs, and their perceived clash or overlap with other systems such

\begin{itemize}
  \item See the Opinion of the Advocate General Jacobs, European Court of Justice C-1089 SA \textit{CNL-SUCAL NV v. HAG GFAG} of 13 March 1990, European Court Reports 1990, I-3711, para. 19 ("Hag II"). Noting as follows: "A trademark can only fulfil that role if it is exclusive. Once the proprietor is forced to share the mark with the competitor, he loses control over the goodwill associated with the mark. The reputation of his own goods will be harmed if the competitor sells inferior goods. From the consumers’ point of view, equally undesirable consequences will ensue, because the clarity of the signal transmitted by the trademark will be impaired. The consumer will be confused and misled."
\end{itemize}
as TMs. This problem is further compounded by the fact that GIs and TMs are often used together, with some commentators even arguing that GIs were the forerunners of TMs. Some geographical names are used in certain TMs, for example in "Kyoto bean cakes", "Frankfurter sausages" or "Hershey's". Given the variations in the bundle of rights that a holder has under GIs and TMs, the use of geographical names in TMs potentially gives rise to the legal question of pre-eminence of rights. Simply put, what would prevail in the event that a registered GI uses a geographical name already in use in a TM? Various approaches have been used ranging from "collective TMs", which function almost like GIs, to clear provisions on precedence depending on the intentions of the GI or TM holder. One of the main legal problems with the TM model has to do with the means available in the event of an infringement. Under TMs law an aggrieved party has recourse to legal remedy when in the use of a word denoting a geographical area, (a) there has been a deceptive or confusing use, or (b) when there has been unfair competition. Are these two also sufficient for the protection of a holder of a GI? This is an open question, particularly given the fact that the logic of GIs is that it is not simply a distinctive name denoting certain qualities, but also a region and a culture.

A further blurring of the distinctions between GIs and TMs is found in the increasing use of "certification marks" and "collective TMs" which in the practical sense are GIs registered as TMs. In the United States, Canada and Australia, certification and collective TMs can be registered. These are used precisely in order to indicate the specific qualities of goods including their geographical origin. Their use is not exclusive to a particular registered business enterprise but to a collective group as long each one of them meets the criteria required. Anyone using them is therefore a part of that collective. As in the case of certain high value GIs, membership in the collective is in most cases, subject to strict compliance with certain rules, such as the geographical area of production and methods used. Examples of geographical indications that are protected as certification or collective TMs in the United States include the expressions like "Parma Ham" owned by Consorzio del

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19 See, WIPO. 1993. Protection of Geographical Indications through registration of collective marks or certification marks, WIPO Information Paper, Symposium on International Protection of Geographical Indications, Funchal (Madeira, Portugal).
Basic Legal Obligations

VII. WTO DISPUTES ON TRADEMARKS AND GIs

In the 2005 Panel decision in the European Communities–Protection of Trademarks and Geographical Indications dispute, at issue was an EC Council Regulation No. 2081/92 of July 14 1992, relating to the protection of GIs for agricultural products and foodstuffs. Australia and the United States claimed that this regulation was in violation of the EC’s commitments under the TRIPS Agreement, articles 3(1) and 22(2) among other provisions. Article 3(1) of the TRIPS Agreement states:

"Each member shall accord to the nationals of other members treatment no less favourable than that it accords to its own nationals with regard to the protection of intellectual property, subject to the exceptions already provided in, respectively, the Paris Convention (1967), the Berne Convention (1971), the Rome Convention or the Treaty on Intellectual Property in Respect of Integrated Circuits”..."

At the outset, the panel set out the parameters of its analysis of the obligations contained in article 3(1). It stated: "two elements must be satisfied to establish an inconsistency with this obligation: [first] the measure at issue must apply with regard to the protection of intellectual property; and [second] the nationals of other members must be accorded "less favourable" treatment than the member’s own nationals." Regarding the first of the two conditions, the panel decided that it had been satisfied because GIs constitute intellectual property for the purposes of the TRIPS Agreement. Regarding the second of the conditions, that is, as to whether "less favourable treatment" had been accorded to the nationals of other WTO members, the panel stated that "it is not disputed that [the equivalence and reciprocity] conditions accord less favourable treatment to persons with interests in the GIs to which those conditions apply.”

20 US Registration No. 2,014,628.
21 US Registration No. 0,571,798.
22 US Registration No. 1,632,726.
23 European Communities – Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs (WT/DS174/R and WT/DS290/R).
Effectively, those conditions "modify the ... equality of opportunities to obtain protection with respect to intellectual property in two ways." First, GI protection "is not available under the regulation in respect of geographical areas located in third countries which the commission has not recognized under article 12(3)." And second, GI protection is available "if the third country in which the GI is located enters into an international agreement or satisfies the conditions in article 12(1)." These two conditions "represent a significant "extra hurdle" in obtaining protection that does not apply to geographical areas located in the European Communities." On this basis, the panel found that "the equivalence and reciprocity conditions modify the effective equality of opportunities with respect to the availability of protection to persons who wish to obtain GI protection under the regulation, to the detriment of those who wish to obtain protection in respect of geographical areas located in third countries, including WTO members." In the words of the panel, this was "less favourable treatment."

Hence, the panel found that "with respect to the equivalence and reciprocity conditions, as applicable to the availability of GI protection, the regulation accords treatment to the nationals of other members less favourable than that it accords to the European Communities' own nationals, inconsistently with article 3(1) of the TRIPS Agreement."

Article 22(2) of the TRIPS Agreement provides as follows:

"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 10bis of the Paris Convention."

The EC Regulation (above) contained two sets of detailed procedures for the registration of GIs for agricultural products and foodstuffs. The first set, in articles 5 through 7, applied to the names of geographical areas located within the European Communities. The second set in articles 12(a) and 12(b), applied to the names of geographical areas located in third countries outside the European Communities. Article 12(1) of the regulation contained further conditions including that a third country must provide
Basic Legal Obligations 193

reciprocal and equivalent protection for GIs to those offered in the European Communities. In particular, it states:

"Without prejudice to international agreements, this regulation may apply to an agricultural product or foodstuff from a third country provided that: (a) the third country is able to give guarantees identical or equivalent to those referred to in article 4; (b) the third country concerned has inspection arrangements and a right to objection equivalent to those laid down in this regulation; and (c) the third country concerned is prepared to provide protection equivalent to that available in the Community to corresponding agricultural products or foodstuffs coming from the Community."

The United States claimed that the regulation is inconsistent with article 22(2) of the TRIPS Agreement "because it does not provide interested parties in other WTO members which do not satisfy the equivalence and reciprocity conditions, including inspection structures, the legal means to protect their GIs on a uniform basis throughout the territory of the European Communities." Furthermore, the United States also claimed that the regulation is inconsistent with article 22(2) "because interested parties in other WTO members must depend on their respective governments to intercede on their behalf in the verification and transmission of applications."

The United States also claimed that the regulation is inconsistent with article 22(2),

"... with respect to objections because (1) persons who wish to object to the registration of a GI cannot do so directly; (2) the regulation does not permit persons in other WTO members which do not satisfy the equivalence and reciprocity conditions the right to object; (3) persons who wish to object to the registration of a GI must have a legitimate interest or a legitimate economic interest in the European Communities, but an interested party can be any producer or seller established in the region falsely indicated as the source in a given territory; and (4) the grounds for objection based on a prior trademark in article 7(4) of the regulation are narrower than the rights required
to be made available under article 22.2 of the TRIPS Agreement." 25

With respect to the first two claims, relating to "equivalence and reciprocity conditions" and "examination and transmission of applications," the panel recalled its earlier findings on these aspects of the regulation in the context of the national treatment obligations. For the article 22(2) claim, it noted that "the assessment of the conformity of measures with members' obligations generally requires an assessment of the manner in which they confer rights or protection on private parties." Thus, "in order to determine whether the European Communities has implemented its obligation owed to other members in article 22(2), the panel must examine whether it has provided the legal means required by that provision for interested parties who are nationals of other members." 26 Turning to the regulation, the panel noted that "it makes protection available, in the sense that it provides legal means to protect GIs." Notwithstanding, it said, "those legal means have not been provided to interested parties with respect to GIs located in a third country, including a WTO member, that does not satisfy the equivalence and reciprocity conditions, and the government of which does not examine and transmit an application." Therefore, the panel concluded that the United States "has made a prima facie case in support of its claim that the regulation does not make available the legal means to interested parties in accordance with article 22(2) of the TRIPS Agreement." 27

The panel then noted that the United States "challenged the regulation only, and not other means by which the European Communities may have implemented article 22(2)." In this regard, the European Communities submitted that "it implements article 22(2) through other measures besides the regulation, including the foodstuffs labelling and misleading advertising directives, and implementing legislation of the EC member states." Thus, the panel said, the United States "has not demonstrated that these alternative measures, which lie outside the panel's terms of reference, are inadequate to provide GI protection to interested parties nationals of other members as required under article 22(2) of the TRIPS Agreement." Accordingly, the panel concluded, "with respect to the equivalence and reciprocity conditions and the examination and transmission of applications under the regulation, the United States has not made a prima facie case that the European

26 U.S. Report, paras. 7.739–43.
Communities has failed to implement its obligation under article 22(2) of the TRIPS Agreement." With regard to the US claim related to "objections," the panel noted that article 22(2) "does not provide for a right of objection to the registration of a GI." Therefore, the panel rejected the United States' arguments "insofar as they relate to objections to GI registration, including objections by trademark owners." In addition, the panel recalled its finding "that the equivalence and reciprocity conditions do not apply to the right of objection by persons resident or established in WTO members", and thus it concluded that the United States' "second argument relating to objections in support of its claim under article 22(2) is unfounded for this reason as well". Another finding on which the EC has placed considerable emphasis is that the panel in principle accepted that to a certain extent GIs may prevail over prior trademarks according to article 17 of TRIPS.

VIII. DOHA ROUND NEGOTIATIONS AND GIs

As part of the built-in agenda for further negotiations on GIs in the WTO, three provisions in the TRIPS Agreement lay a basis for the on-going negotiations. According to article 23(4) WTO members agreed that negotiations would be undertaken in the TRIPS Council "…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." Further, in article 24(1), WTO members agreed "…to enter into negotiations aimed at increasing the protection of individual geographical indications under article 23". Lastly, in article 24(2) it is required that the "Council for TRIPS shall keep under review the application of the provisions of this section", with the reference here meaning section 3 which addresses GIs in its entirety.

Hence, in addition to the general review foreseen in article 24(2), there are two items on the negotiations agenda specific to GIs. These are, negotiations on a multilateral system for notification and registration of wines, and negotiations on the expansion of GI protection. The Doha Ministerial Declaration of 14 November 2001 recognized both of these items in paragraph 12 thus:

30 Cf. para. 7.670.
"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."

In the General Council Decision\(^\text{31}\) of 1 August 2004 (the so-called "July Package") it was agreed as follows regarding GIs:

"Without prejudice to the positions of members, the Council requests the Director-General to continue with his consultative process on … issues related to the extension of the protection of geographical indications provided for in article 23 of the TRIPS Agreement to products other than wines and spirits, if need be by appointing chairpersons of concerned WTO bodies as his friends and/or by holding dedicated consultations. The Director-General shall report to the TNC and the General Council no later than May 2005. The Council shall review progress and take any appropriate action no later than July 2005."

The consultations by the Director General referenced in the decision above concern mainly two issues. The first controversy is that it is unclear as to what the scope of negotiations foreseen in article 24(1) should be. In other words, the controversy revolves around the question of whether the negotiations should seek to extend the coverage of GI protection to products other than wines and spirits. In a 1999 submission by Turkey,\(^\text{32}\) it was proposed that GIs protection should go beyond wines and spirits. This proposal was endorsed by the African Group. According to the African Group, GIs protection should be extended "to other products recognizable by their geographical origins (handicrafts, agro-food products)."\(^\text{33}\)

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\(^{31}\) WTO Doc. No. WT/L/579 (2 August 2004).

\(^{32}\) WTO Doc. No. WT/GC/W/249 (13 July 1999).

\(^{33}\) WTO Doc. No. WT/GC/W/302 (6 August 1999).
WTO members advocating the extension of GIs coverage to other products include the European Communities, Bulgaria, China, the Czech Republic, the EU, Hungary, Liechtenstein, Kenya, Mauritius, Nigeria, Pakistan, the Slovak Republic, Slovenia, Sri Lanka, Switzerland, Thailand and Turkey. These countries see the higher level of protection as a means of improving the marketability of some of their niche products. Essentially, they do not want other countries to take away and use "terms" that are distinctive and therefore advantageous to them. In a submission by the European Communities, which builds upon its earlier submission, the position remains substantially the same in the sense that it maintains the EC's level of ambition regarding both the extension of GIs coverage and the multilateral register. Regarding extension of GIs coverage to products other than wines the EC is clear that its proposal seeks to achieve this purpose as stated in article 23 of TRIPS. The EC also maintains its views regarding the multilateral register which it proposes should be an annex to the TRIPS agreement. A few novel additions include those relating to trademarks that overlap with GIs and the mechanism for financing the proposed multilateral register of GIs for all products.

The countries that oppose the extension of GIs coverage such as the United States, Australia and Canada argue that the extension would be needlessly expensive and burdensome. They do not see themselves as taking away anything as many of the terms under contention were taken to these "new" lands by voluntary migrants from their original lands that moved with the know-how to make the products. The second controversy is that WTO members have disagreed on virtually all the aspects of the proposal for the establishment of a multilateral register for wines and spirits. Some of the most divisive issues include the legal effects of registration, the meaning of "notification" and "registration", who should bear the costs of registration and the role of WIPO in the administration of such a system. On the whole, the debate on GIs has been very divisive with little progress in terms of a convergence of positions. Quite unlike many other issues on the Doha Agenda, it is does not necessarily pit developed countries against developing countries.

34 WTO Doc. No. WT/GC/W/547 (14 June 2005).
35 WTO Doc. No. TN/IP/W/11.
IX. GIs, TMs, AND ENHANCED TRADE OPPORTUNITIES
ACCESS

In general, the idea behind a place name used in a GI is that it distinguishes a particular product from others because its region and method of production are superior or distinctive. The GI thereby becomes a marketing tool that derives its usefulness from the unique characteristics associated with the region or production methods of its origin. Many strongly held or contested GIs concern niche and high value products such as food items. Good examples here include Parma ham and Roquefort cheese. In this sense, if in fact the effect of a GI is to make it more difficult to gain access to a particular protected food item, then it can impact negatively on food security.

As defined by FAO, food security refers to when "people at all times, have economic and physical access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life." The issue of "food preferences" and economic access is important here. If people prefer to have a certain food product that is the subject of exclusive GI protection, and cannot acquire it because it is priced out of reach and cheaper reproductions are disallowed because of extensive GI protection, then doubts can be raised regarding the extent to which GIs support the attainment of food security. In addition, GIs are often described by opponents to their use, such as the United States, as being inherently trade restrictive. For instance, a case can be made that a particularly strong GIs protection regime can undermine the fundamental rule of national treatment, which is also contained in the TRIPS Agreement.

GIs are central to many economies, both developed and developing. In the European Union for example, there are over 640 GIs and designations of origin for food, and 4200 registered designations for wines and spirits. All of these GIs together are valued at upwards of Euro 40 billion in annual sales. India is reported to have about 3000 textile-related GIs and up to 40 mango varieties that may be protected as GIs, in addition its other well known GIs for instance over tea. As a marketing tool, GIs and TMs can also be of great economic benefit to rural or local communities producing niche or widely popular products such as Basmati rice, Darjeeling tea,

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37 Speech, David Spencer.
medicinal herbs and others. It can also be of great benefit to small or medium enterprises that produce items that can be protected. In a 1999 study for instance, two authors concluded that:

"Both geographical indications and trademarks show the greatest potential where traditional small-scale production is still present, on the supply side, and where end-use products are marketed directly to consumers. In other words, they are less likely to be appropriate when the product is a commodity traded primarily in bulk. Most promising are commodities where at least part of the market is significantly segmented. Markets for specialty food, beverage, and medicinal products are among those where consumer taste and preference has great impact. In recognition of this potential, certification schemes relating to organic, environmental or social responsibility criteria have been developed for bananas, coffee, cocoa, and other products."38

The downside to GIs is that their illegal use can be very expensive to monitor, as can making sure that the quality of production methods match the standards required in order to protect the GI's reputation and economic value. For example, the Tea Board of India, a statutory body, registered "Darjeeling Tea" under the Geographical Indication of Goods (Registration & Protection) Act, of 1999. The Tea Board also instituted a mandatory system of certifying the authenticity of Darjeeling tea for export purposes. The system requires all Darjeeling Tea dealers to be licensed by the Tea Board and to pay an annual fee. The licensees commit themselves to furnish the Tea Board with information on their production, manufacture and sale of Darjeeling Tea. The licensees are barred from blending Darjeeling Tea with other teas. The Tea Board issues them with Certificates of Origin for any exports of Darjeeling Tea. The Indian customs authorities at all potential export check-points are under instructions to check for and ensure that the Certificates of Origin accompany any Darjeeling Tea consignments. Paired to this domestic authenticity verification process, the Tea Board has also advised foreign buyers, sellers and tea councils and associations to insist on seeing the Certificate of Origin for any consignment. The Board also hired the services of an international agency to monitor for possible legal action the global use or abuse of the protected GI at the cost of about US$100 000 a year.

Besides Darjeeling Tea, another example of a geography-specific product that has the potential to benefit its country of production greatly is Rooibos Tea. It is only produced on the slopes of the Cedar Mountain range near Clanwilliam, South Africa. Rooibos Tea is classified as a horticultural product by the South African Department of Agriculture. Prior to its commercial sale in the 1930s, it was used for many years by the indigenous peoples of the South African Cape region. Besides being used as an antioxidant herbal caffeine free drink, it is also used as a natural hair dye, a meat tenderizer, as a substitute for water or milk in any recipe, as allergy, asthma and insomnia medicine, and as an anti-ageing potion. Annique Theron, a South African national credited with having "accidentally discovered" its many health benefits, was awarded a WIPO Gold Medal in 1997, for the "Invention of a tea, extracted exclusively from the plant Aspalathus Linearis, having anti-allergic properties." She founded "Forever Young", a company that markets Rooibos and describes its many uses.

Theron and Forever Young registered "Rooibos" as a TM in the United States. In 2001, Theron sold the "Rooibos" TM to Virginia Burke-Watkins of Burke International Corporation for a nominal US$10. Having acquired the TM, Burke International then spent about US$250,000 in policing and enforcing their TM rights, and began demanding fees from shops, cafes and other small internet-based tea traders for the use of the name in the US. The problem is that Rooibos Ltd., a South African company, is the world's market leader in the production and sale of Rooibos Tea. Rooibos Ltd. challenged the claims by Burke International as being the sole owner of the name Rooibos in the US and that other companies or traders could only sell products with that name through Burke, in a case filed in a Missouri District court. It is noteworthy that clearly, "Rooibos Tea" is a GI, in the manner it is defined in the TRIPS Agreement. However, Rooibos Ltd. has not sought to have it recognized as such, but rather as a generic name that should not be protected in the manner Burke had. In addition to District Court proceedings, Rooibos Ltd. petitioned the US Patent and Trademark Office to expunge the "Rooibos" TM. According to Rooibos Ltd., all of these processes cost a great deal:

"The cost of the lawsuit to Rooibos Ltd is astronomical. Considering this and the fact that the unrestricted use of the word "Rooibos" is in the interest of the entire Rooibos industry and South Africa, it was decided to approach the South African Government for financial assistance and support. Both the Western Cape and the national government have made positive
Eventually, in a dispute between Republic of Tea, a US company that trades in Rooibos Tea and the TM owners, the Missouri District Court ruled that there was no TM infringement as "Rooibos" is a generic term.\textsuperscript{40} The ruling was hence in favour of Republic of Tea and effectively also in favour of Rooibos Tea Ltd. This ruling was appealed. In an out of court settlement reported on 17 June 2005, it was agreed that "Rooibos" was too generic to be registered as a TM and therefore it could be freely used in any product by any distributor. It was also agreed that all similar TMs would be deregistered all over the world. It was however acknowledged that the registration of the TM by Theron had greatly benefited the producers of Rooibos tea. "A previously almost non-existent Rooibos market is now booming, creating numerous job opportunities for local Rooibos farmers and workers in the beauty industry."\textsuperscript{41} The extent to which GIs can enhance the marketability of a good quality product seems clear. GIs are a means for giving an edge to small and medium scale businesses, for promoting exports and rural development. However, the exact economic benefits of extending GIs protection to products beyond wines and spirits are yet to be determined. An economic quantification of such benefits would be of particular advantage to developing countries that are unsure as to what they stand to gain or lose by joining either sides of the debate on the extension of GIs protection.

X. SUMMING UP AND CONCLUSIONS

In international economic relations, GIs present a dichotomy of approaches in state practice. While the US has a TMs law-based approach to GIs protection, the EU has a stronger system with roots in the French concept of "appellations of origin". Prior to the entry into force of the TRIPS Agreement, the United States had not adhered to any international instrument that sought significant GIs protection. Presently, however, the TRIPS Agreement provides certain minimum standards on GIs protection that all WTO members have to apply. As a result of this, many countries besides the US and the EU that represent the dominant approaches to GIs protection, have sought to find ways of meeting their obligations. The debate still continues regarding the

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\textsuperscript{39} See www.rooiboshd.co.za/news.

\textsuperscript{40} Republic of Tea v. Virginia Burke-Watkins, Case No. 4:03CV1862HEA, U.S. District Court, Eastern District of Missouri (27 January 2005).

\textsuperscript{41} Evans, J. Rooibos storm finally off the boil. Mail & Guardian 17 June 2005.
multilateral register for wines and spirits and the possible extension of GIs protection to other products besides wines and spirits.

For developing countries, GIs represent a dilemma with both the potential for positive and negative outcomes. For developing countries such as Argentina, which has a large population of European origin that favours European-style foodstuffs, extending GI protection to certain food products might mean that production and marketing of local versions of a range of products like cheeses will become more difficult. On the other hand, other developing countries such as India and some African countries that produce high quality tea, coffee and other products are of the view that extending GIs might be economically beneficial to them. This is because it might give their marketing agents an edge over competitors. These differences are reflected in the on-going negotiations at the WTO. Contributing to the resolution of these differences would be an objective but comprehensive assessment of the potential market gains deriving from GIs protection, particularly considering many of the products that they feel should benefit from protection are agricultural. Necessarily, the costs of administering, monitoring and enforcing a system of GIs protection, such as India's Darjeeling Tea for example, would need to be factored into such an economic analysis. With that kind of information, it would be easier for both the proponents and opponents to know what they stand to lose or gain in terms of market share from the negotiating position that they opt for.

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