ADDIS ABABA UNIVERSITY

COLLEGE OF LAW AND GOVERNANCE STUDIES

SCHOOL OF LAW

Trademarks and Geographical Indications in Protecting Ethiopia's Agricultural Products and its Synergy with Ethiopia's Developmental Concerns

By: Hilina Ashenafi

May, 2015

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A Thesis submitted to Addis Ababa University, the School of Law: in Partial fulfillment of the Requirements for the Degree of Master of Laws (LL.M) in Business Law

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Approved By Board of Examiners

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Signature

Declaration

I, the undersigned, declare that this thesis is my original work, has not been presented for a degree in any other University and that all sources of materials used have been aptly acknowledged.

Name_________________________

Signature ____________________

Addis Ababa University

May, 2015

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Acronyms

- **WIPO** World Intellectual Property Office
- **IP** Intellectual Property
- **GATT** The General Agreement on Tariffs and Trade
- **TRIPS** or TRIPS Agreement on Trade-related Aspects of Intellectual Property Rights
- **WTO** World Trade Organization
- **EU** European Union
- **OHIM** Office for the Harmonization of the Internal Market
- **UK** United Kingdom
- **US** United States
- **CTMR** Community Trademark Regulation
- **CTM** (system) Community Trademark System
- **GI** Geographical Indication
- **EIPO** Ethiopian Intellectual Property Office
- **ECX** Ethiopian Commodity Exchange
- **DST** Direct Specialty Trade

Chapter One: Research Proposal

1.1Background of the Study

Intellectual property is concerned with the legal property which results from intellectual activity in the industrial, scientific and artistic fields. It is built on a unique element apart from the features it shares with the concept of property in general. This unique element is the involvement of mental or creative labour. Intellectual property law is defined as the part of law that regulates the creation, use and exploitation of mental or creative labour.[1] Intellectual property regime grants creators a right; whereby the nature and scope of the right is determined based on the corresponding form of intellectual property law. In other words, intellectual property law is a bundle of rights, where there exist different forms. Among these intellectual property rights, trademark and geographical indication are notable.

Trademark is any sign or mark capable of identifying the origin of a product from other products.[2] From a legal point of view, trademarks gives the owners an exclusive right to use them in their products; excluding the use of the same or even similar mark where a likelihood of confusion among the consumers about the origin of the product is expected.[3] Geographical indications are, on the other hand indications which identify a good as originating in a certain geographical place and where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin.[4] Globally, there are two approaches to the concept of geographical indication.[5] The first where it is protected as a subset of trademarks and the other where a separate recognition as a form of intellectual law is given. Either way, there is something that ties the two together when we talk about development in an economy that is dependent on the agricultural sector. They both can be used as a tool for development.

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[1] Bently, L. and B. Sherman, *Intellectual Property Law* (2nd ed.) 2004 p.1.

[2] *See* article 15 of the TRIPS agreement

[3] Roger Shuy, *Lingustic Battles in Trademark Disputes***,** ,2002 p. 28

[4] J. Thomas McCarthy, *Trademarks and Unfair Competition* (4th ed 2008) p. 50

[5] Erik W. Ibele, "The Nature and Function of Geographical Indications in Law" *Estey Centre Journal of International Law and Trade Policy* Vo 10 No. 1 2009 p. 37

Ethiopia is a developing country where the likelihood of the majority of its people depend on agriculture. The government has shown its commitment in bringing development to country in various occasions. Agriculture still being the backbone of the country, the obvious way to economic growth will be increasing volume of exported agricultural products and perhaps work on the quality. And mechanized farming and improved inputs are inter alia, the way to do this. However, such effort has its own limits and its marginal productivity reaches zero at some point. You can't forever increase volume of export or improve quality.

In addition to such effort, the option the country has is to utilize its intangible assets related with agricultural products while bringing it to the international market. Here is where trademarks and GI come in handy. Using GI protection, we can add value to the products we are selling out there. The country is specifically endowed with natural resources giving its agricultural products a special quality related with the geographical origin. Our coffee would be a good example here. The same goes for trademarks. Once the legal protection is secured we can design efficient branding strategy to boost the amount of money consumers will be willing to pay.

Therefore working on intellectual property, specifically trademarks and GIs is inevitable to increase the national revenue collected from export of agricultural products.

1.2 Statement of the Problem

Ethiopia has been taking part in the international market for a while now. As any typical developing country, the country is known for supplying agricultural products, mostly in the primary stages processing and in some cases semi-processed products. The comparative advantage Ethiopia has in trade and investment relationships is its abundant land and cheap human labour. But if carefully studied and wisely implemented, there is absolute advantage the country can pursue using it natural endowment. There are ample agricultural products in Ethiopia that are known for special qualities attributable to the natural environment. Excellence in exploiting this arena can definitely make the country competitive in the international market and boosts its economy.

Intellectual property paves the way for states to protect their products' intangible assets in the international market. Recently, there are initiatives that are being designed and implemented to protect Ethiopia's agricultural products using trademarks. The international intellectual property system and regional integrations makes such effort easier using harmonized laws and centralized institutions. However, Ethiopia is not a member of the WTO yet and hence cannot benefit from such arrangement.

To make use of trademarks and geographical indications in protecting agricultural products in the international market designing and implementing geographical indications and trademarking strategy is inevitable. This apparently calls for an awareness about intellectual property, its international system and the international market. One of the legal problems related with such effort is to decide the appropriate form of intellectual property. Specifically a reasoned choice must be made between trademark and geographical indication. This requires a thorough analysis taking into account, inter alia, the trademark and geographical law of state where the agricultural product is exported, the costs of securing the legal protection, the need and situation of the country Ethiopia etc. Such an effort to use trademarks and geographical indications is expected to be done case by case, independently on a certain jurisdiction

. Therefore such attempts or decisions should be evaluated in terms of their level of legal protection and the benefit accorded, means of compliance etc. Such strategy incurs costs for the government so the economic benefits should also be weighed. This paper will try to address these problems.

1.3. Research Questions and Objectives

This paper tried to answer the following major research questions;

1. Is there a link between economic development and geographical indications?
2. Is there a link between economic development and trademarks?
3. Is trademark the appropriate intellectual property form to protect Ethiopian fine coffees?
4. Did the current trademarking strategy of Ethiopian fine coffee affect the prices of the fine coffees?
5. What other products of Ethiopia can be protected using geographical indication?

This paper aims at

- Examining the existing national and international legal frameworks of trademark and Geographical indications including draft laws

- Examining the status, challenges and prospects of the Ethiopian Fine Coffee Designations Trade Marking and Licensing Initiative
- Analyzing the choice of appropriate form of intellectual property for protecting Ethiopian fine coffees
- Exploring other areas of production Ethiopia has the potential to use geographical indication
- Examining the nexus development has with geographical indication and trademarks
- Evaluating the effect of the Ethiopian Fine Coffee Designations Trade Marking and Licensing Initiative on the revenue earned by the farmers

1.4 Methodology of Study

The research made use of both primary and secondary sources. It employs interviews of concerned personnel in the field as primary sources of data particularly on the issues related with the Ethiopian Fine Coffee Designations Trademarking initiative and other plans and preparations to use Geographical Indication on other agricultural products. . Books, journal and newspaper articles, working papers, institutional reports, archives and internet sources etc will be used in the process of data collection particularly on issues dealing with the existing national and international legal frameworks of trademarks and geographical indications. . Experiences of other developing countries like Jamaica, Colombia, will be used to make comparative study.

The research mainly involves doctrinal analysis of data for the analytical research questions. Some level of qualitative (empirical) analysis will be made for the issue of the effect of the Ethiopian Fine Coffee Designations Trade Marking and Licensing Initiative on the revenue earned by the farmers.

1.5 Significance of the Study

This study will

- Acquaint stakeholders with the necessary knowledge as to the legal and institutional framework of trademark and geographical indication in Ethiopia and the international system

- Acquaint stakeholders with the necessary knowledge as to the status and challenges of the Ethiopian Fine Coffee Designations Trade Marking and Licensing Initiative
- Inform stakeholders as to the nexus between economic development and trademarks and geographical indication and the actual effect of the Ethiopian Fine Coffee Designations Trade Marking and Licensing Initiative on economy of Ethiopia
- Enable the government to come up with policy, law and institutional arrangement to use geographical indication to protect Ethiopian origin based products
- Serve as the basis for further studies in the area

1.6 Limitations of the Study

This research is limited to the use of trademarks and geographical indications on Ethiopian agricultural products in the international market only. In addition, from the agricultural products the country exports to the international market, this research gives a special emphasis for coffee, while a highlight is given on some other products that have the potential to be protected using geographical indication. Due to financial and time constraints, a field research to find out the effect of the Ethiopian Fine Coffee Designations Trade Marking and Licensing Initiative on the lives of the producers of the Sidamo, Harar and Yirgacheffe coffees has not been made. Instead the analysis is based on the data collected that indicated the changes in the prices of these coffees in the international market before and after the initiative, and its factors.

1.7 Organization of the Study

The second chapter provides for an introduction to trademarks and geographical indications. In particular, it provides for conceptual explanation of GIs and trademarks, the legal and institutional framework of protection of trademarks and geographical indications in Ethiopia and the international legal system. The third chapter deals with GIs trademarks and Ethiopian goods. Under this chapter the Ethiopian Fine Coffee Designations Trade Marking and Licensing Initiative will be discussed. In addition, the relationship that trademarks and GI have with development and the effect of the Coffee Initiative on Ethiopia's development will be assessed on this chapter. At last, the fourth chapter gives conclusions and recommendations.

Chapter Two: Introductory Remarks on Trademarks and Geographic Indications

I. Trademarks

1. Historical Overview of Trademarks

Trademarks have a long history of usage by manufacturers and traders for the purpose of identifying their goods and distinguish them from goods made or sold by others. Archeologists report that some 3,500 years ago, potters put marks on their products to identify the source of their clay pots.[6] There are artifacts present in the British Museum that show that, back in Roman times, it was common for a pottery to be embossed or impressed with a mark.[7] For instance, marking the makerôs initials or other marks like a dolphin were among the common displays.[8] In Britain, using marks in commerce dates back to the thirteenth century. William Caxton used the mark W74C and gold and silver articles were hallmarked as early as the fourteenth century.[9] By the end of the sixteenth century it was very common for shopkeepers to erect signs illustrating their trade.[10] Traders also using cards bearing their name and address, often accompanied by a device of some sort, an early form of business card.[11] This was the same century where courts in Europe began to recognize the legal effect of ómarksô, and held that if another trader were allowed to use the same sign, this would allow a fraud to be committed on the public.[12]

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[6] Shuy, *supra note* 3 p. 28

[7] *See* David Bainbridge, *Intellectual Property,*2010 (8th ed) p.655

[8] *ibid*

[9] *ibid*

[10] *ibid*

[11] *ibid*

[12] Graham Dutfield, Uma Suthersanen *Global Intellectual Property Law,* 2008 p. 135

It is believed that The Industrial Revolution marked the birth of modern trademark for there was a huge growth of using names and marks in advertising.[13] One of the most important changes to make an impact on the evolution of trade marks was the emergence of a large consumer class in the newly formed industrial cities.[14] To increase sales traders begun to use modernized retailing and advertising techniques. They used newspapers to print advertisements adding shop signs, handbills and trade cards.[15] In time consumers had begun associating the signs with the manufacturer bearing a certain amount of quality.[16]

Over the years the world become more systematic about such marks and today a complex legal system has developed to insure the rights of origin of goods and services. Trademarks, a word, expression, logo, or other marking device were created that identifies the source of the goods, product or service, such as Kodak camera equipment or Exxon gasoline.[17] Service marks resemble trademarks and carry the same legal principles for such things as services of various kinds, including entertainment.[18] The shortened, term, ñmark,ò has come to represent both trade and service trademarks.

2. Rationale of Trademark Protection

2.1. Indicator of Origin

The traditional role of trademarks is to act as an indicator of origin. This indication role can be understood in two ways. The first is to identify the *actual physical origin* of the goods/services, and the second one is to guarantee the *identity of the origin* of the goods/services.[19] The first function relates to the actual undertaking that produced and supplied the product. Using the trademark, the consumers know from which producer the product came from. . In other words, a

[13] *See* Bainbridge *supra note* 7 p.655

[14] *See* Dutfield *et al supra note* 12 p.135

[15] *ibid*

[16] *ibid*

[17] *See* Shuy *supra note* 1

[18] *ibid*

[19] *See* Dutfield *et al supra note* 12 p.138, also cited Phillips, J., *Trade Mark Law: A Practical Anatomy*, 2003

trade mark should act as a badge of origin.[20] The second function, i.e. ‘to guarantee the trade mark as an indication of origin’ is taken by the European Court as being the sole justification for trade mark protection.[21]

According to the case-law of the Court, the essential function of a trade mark is to guarantee the identity of the origin of the marked product to the consumer or end-user by enabling him, without any possibility of confusion, to distinguish t product or service from others which have another origin, and for the trade mark to be able to fulfill its essential role in the system of undistorted competition . . . it must offer a guarantee that all the goods or services bearing it have originated under the control of a single undertaking which is responsible for their quality.[22]

2.2. Goodwill and Quality of Goods

Another rationale for trademark system is that trademarks are used as a guarantee of quality of goods and a tool for the business to build goodwill to secure future purchases. This is based on the function of trademarks which is not only indicator of origin but also a tool of identifying products as well. This is a more American perspective where trademark is considered as ‘merely one of the visible mediums by which the good will is identified, bought and sold, and known to the public.’[23]

Consumers associate certain quality of a product to its trademark. Consumers like the fact that trademarks identify products because this helps them go back to those products with brought a good satisfaction in the past and to distinguish them from those that proved unsatisfactory.[24] Law and economics theorists describe this as the fact that trademarks reduce the search costs of consumers.[25] Nevertheless, trademarks cannot eliminate the search costs of consumers all together and there are two factors for this.[26] First, before a consumer identifies a trademarked product,

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[20] *See* Bainbridge *supra note* 7

[21] Recital 7, Council Directive 89/104

[22] *Philips Electronics NV v. Remington Consumer Products*, [2002] 2 CMLR 1329 (ECJ), para. 30;

[23] Dutfield *et al supra note* 12 p. 138

[24] Mathias Strasser, “The Rational Basis of Trademark Protection Revisited: Putting the Dilution Doctrine into Context” *Fordham Intellectual Property, Media & Entertainment, Law Journal*, Vol 10 No 375 p. 380

[25] *Ibid*, cited William Landes & Richard Posner, *The Economics of Trademark Law*, (1988) p.267, 270

[26] *ibid*

multiple purchases should be made. And second, trademarks may not always be a guarantee of quality. If there is a chance for a consumer to obtain all the information needed to make an informed purchasing decision simply by inspecting the products before purchasing them, there is no need to relay on the trademark.

A rational consumer always wants to buy higher quality products at a given price. The manufacturer, on the other hand, is inclined to reduce quality to maximize profit. If consumers have no means to tell which product is good, they would risk picking the failures. To avoid this, consumers demand pledges from manufacturers or go for the lower prices to offset the risk. In this setting, consumers set the price ceiling of the market. The manufacturer cannot afford to supply a higher quality product but will be tempted to cheat the consumers. Here is where a trademark law benefits consumers. By making products identifiable, trademarks destroy some of the incentive that manufacturers would otherwise have to cheat consumers.[27] So the trademark law protects consumers from deception i.e. to prevent the buying public from purchasing inferior goods or services in the mistaken belief that they originate from or are provided by another trader.[28]

2.3. Social Function or Lifestyle Indicator

Trademarks do not only differentiate between producers but also consumers. Trademarks have become ófashion statementsô and consumers by choosing one type of trademarks are declaring to the rest of the world óthis is the sort of person I amô.[29]

ñIndeed, modern business itself has cynically utilized this ability of a trade mark to be a conveyor and purveyor of lifestyle messages, and have transformed them into sales rhetoric. Nike for example owes its enormous success not only to the performance of its shoes but to its apparent allegiance to óyoungô values and the firm has done much to enhance this creed, which includes embracing politically correct language in relation to its manufacturing methods.ò[30]

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[27] *Ibid* p.382

[28] See Bainbridge *supra note* 7 p.657

[29] Phillips J., *Trade Mark Law: A Practical Anatomy*, 2003 p.27

[30] Dutfield *et al supra note* 7 p.139

2.4. Marketplace and Competition Function

The primary economic goal of trademarks is to empower competitors to protect their business from unfair competition.[31] The growing number of competing producers and distributors of goods has resulted in a shift over time of the concept of trademarks as objects of property to a means of protecting honest and fair dealings in trade.[32] Graham Dutfield and Uma Suthersanen briefly stated the relationship trademark law has with consumers, trademark owners and the market as a whole as follows. ñConsumers rely on trade mark law to protect the distinctive power of the mark so that it can convey information in a more efficient manner. Trade mark owners rely on trade mark law to prevent other competitors misappropriating or tarnishing their business goodwill, which may lead to the dilution of the mark. The market as a whole relies on the law to regulate the use of trade marks so as to protect against confusion in the marketplace which would severely compromise consumer choice.ò[33] Trade mark theory constantly emphasizes that protection is necessary to correct the market failure which may result if one allows others to misappropriate distinctive signs.[34]

3 Principles of Trademark

3.1. Protectable Subject Matter

What the law of trademark protects or what constitutes a trademark is the first question to be answered when dealing with principles of trademark. Letôs take a look at the relevant provisions of the EC Trade Mark Regulation and Directive and the TRIPS agreement because the two adopt an expansive notion of trademark.

The EC Trade Mark Regulation and Directive, provides that

ñany sign capable of being represented graphically, particularly words, including personal names, designs, letters, numerals, the shape of goods or of their packaging, provided that such signs are

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[31] *ibid*

[32] See Shuy *supra note* 1 p. 30

[33] Dutfield *et al supra note* 12 p.139

[34] *ibid*

capable of distinguishing the goods or services of one undertaking from those of other undertakingsò[35]

A similarly wide definition is available under Article 15, TRIPS Agreement:

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

From both definitions, it is clear that protectable matter ranges from names, letters, numbers and figurative elements to even three-dimensional shapes and even further but includes any sensory marks which are perceptible to the human senses such as olfactory and aural signs.

3.2. Criteria of Protection

Trademark rights are created either upon adoption (óófirst to useôô) or upon filing (óófirst to fileôô), depending on the country in which they are sought.[36] Most countries require registration for legal protection of trademarks. Other countries, like the US, provide for common-law rights based on use of a distinctive trademark. Registration has an advantage related to certainty. It generally serves two purposes, one is to provide the registrant with evidence of its trademark rights and the second is to provide notice to third parties of existing rights.[37] The owner of a trademark will obtain a title to the trademark specification of goods listed in the registration in the jurisdiction or territory where the registration is granted. This document serves as evidence if any litigation on the

[35] Article 2, First Council Directive of 21 December 1988, to Approximate the Laws of the Member States Relating to Trade Marks (89/104/EEC), 11 February 1989; Article 4, Council Regulation (EC) No. 40/94 of 20 December 1993 on the Community Trade Mark, OJ, No. 11, of 14 January 1994 [hereinafter referred to as CTMR].

[36] Robert Doerfler and Matthew D. Asbell, *Trademark Costs Trimming the Sails in Rough Economic Waters* in Lanning G. Bryer, Scott J. Lebson, Matthew D. Asbell(eds), *Intellectual Property Operations and Implementation in the 21st Century Corporation*, 2011, p 62

[37] *ibid*

trademark ever arises. It saves time and money to prove the right for any ambiguities to come. And third parties who are developing a trademark and brand can have access to already protected marks making them aware of the potential risks of their decisions.[38]

There exists an international trademark differences which center on how the actual registration of marks is accomplished. Some countries, such as France, Germany, and Ethiopia, examine registrability for what is called ñabsolute grounds of non-registrability,ò such as the markôs descriptiveness and/or deceptiveness.[39] Other countries, such as Kuwait, Yemen, and Turkey, examine registrability for the likelihood of confusion with previously registered marks. The US, Japan, Hungary, Jordan, and the UK examine for both.[40] The following parts discuss the criteria of protection or the absolute grounds of refusal for trademark registration.

3.2.1. Graphical Representation

Some legal systems require trademarks to be capable of being represented graphically as criteria of protection. When it is said that a trademark should be capable of being represented graphically, it is to mean that the mark need to have the potential of being registered in a physical form and later be published in a journal.[41] This requirement has a rationale of providing for a fixed point of reference to show what the mark really is.[42]

Under the EU law stated above, graphical representation is provided as a requirement of protection. The Court of Justice has confirmed on numerous occasions that the requirement that a trade mark is capable of being represented graphically must:

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[38] *ibid*

[39] See Shuy *supra note* 1, p.30

[40] *ibid*

[41] Different trademark systems provide for their own journals where registered trademarks are published. See KC Kailasam &Ramu Vedaraman, *Law of Trademarks & Georgraphical Representation*, (2nd edn) , 2005 p.10

[42] Kitchin David, Lelwelyn David, et al., Kerly's*, Law of Trademarks & Trade Names*, 13th edn, 2001, p.10

. . . enable the sign to be represented visually, particularly by means of images, lines or characters so that it can be properly identified . . . [It must be] clear, precise, self-contained, easily accessible, intelligible, durable and objective.[43]

The requirement that graphical representation should be clear and precise is to serve legal certainty.[44] There are two main reasons for the requirement of the graphical representation criterion;[45]

(a) To enable traders to clearly identify what other traders have applied for registration as a trademark and to which product

(b) To make the public aware of the sign which forms the subject of the trademark registration in a precise manner

3.2.1.1Graphical Representation of Unconventional marks

The graphical representation of marks consisting of names, letters or numbers is not that difficult. But when the mark is unconventional like consists of colors, shape, sound, smell etc. visually representing it is not simple and subject to different standards. Graphical representation of unconventional marks is more of practical problem than a legal problem.

i. Sound marks

The use of musical notations and written description looks like the normal way of graphical representation of sound mark. But this has practical problems because not everyone can read written music and written musical notes only indicate the pitch not the tone which creates a problem as to precision. [46] However, the question of using conventional music notation for representing music used as trademarks has been settled by the European Court of Justice.[47] There

[43] Case C-273/00 *Ralf Sieckmann* v *Deutsches Patent-und Markenamt* [2002] ECR I-11737 at paras 46 and 55.

[44] See Bainbridge *supra note* 7 p. 673

[45] Arka Majumdar, Subhojit Sadhu & Sunandan Majumdar, "The Requirement of Graphical Representability for Non-Conventional Trademarks", *Journal of Intellectual Property Rights*, Vol 11, 2006,p. 314

[46] See Arka Majumdar, *et al* supra note 45 p.315-316

[47] See Case C-283/01 *Shield Mark BV* v *Joost Kist* [2003] ECR I-14313.

are trademarks consisting of musical sound that are registered in this matter.[48] But the manner of graphically representing other sounds remains unclear. Bainbridge argues that ñThe requirement could not be met, however, by a description in words, including a list of notes, a description of the sound (such as it being the cry of an animal) or by means of a simple onomatopoeia, without moreò[49]

There exists a trademark consisting of sound registered under the EU trademark system as ñthe sound of a dog barkingò.[50]But the ruling in *Shield Mark* casts serious doubts over such sound marks previously accepted for registration. Court pointed out that the requirement of graphical representation was not satisfied when the sound is represented graphically by means of a description using the written language, such as;

- An indication that the sign consists of the notes going to make up a musical work
- An indication that is the cry of an animal
- By means of a simple onomatopoeia
- By means of a sequence of musical notes

On the other hand, a sound can be effectively represented graphically if a representation is made as óa stave divided into measures and showing, in particular, a clef, musical notes and rests whose form indicates the relative value and where necessary, accidentalsô.

The above mentioned representation of sound mark as ñthe sound of a dog barkingò invites a lot of questions like óWhat breed of dog?ô óIs it a friendly, warning or aggressive bark?ô óHow loud is it?ô óHow long is the duration?ô etc.[51] Bainbridge argues that the description inevitably leads to the

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[48] Bainbridge supra note 7 cited For example, the Direct Line Insurance plc telephone jingle (UK registration Nos 2030045, 2127794 and 2127799), also Arka Majumdar, *et al* supra note 45 cited, the lion roar for Metro Goldwyn-Mayer and the chime of 20th Century Fox, which consists of 'Nine bars of primary musical chords in the key of B flat; the chords consisting of four, eight and sixteen notes'

[49] *ibid* p. 675

[50] The trade mark belongs to Imperial Chemical Industries plc (UK registration No 2007456). It was registered in 1995.

[51] Bainbridge *supra note* 7 p. 675

readerôs subjective interpretation and the mark must surely be invalid if challenged.[52] It could not pass the test whether graphical representation clear and unambiguous. He further argues that this creates a problem for infringement because it would be virtually impossible to prove infringement as one could not tell whether the alleged infringing sound was similar to the trade mark.

Some raise the option of fixing a sound mark in a digital form so that it can be played by accessing the file. The EU *Trade Marks Journal,* for instance, is available electronically which creates a favorable condition. But this proposition has been rejected by the INTA as being impracticable.[53] The reasons where first, the sound cannot be published by the Trademark Registry and people have to go to the registry to hear it. Secondly, it creates practical difficulty for the registry to store so many sound samples.

ii. Color marks

Colour can be used as trademark in two ways; either in a single colour or combination of colours. It is clear that it is not enough to simply describe colour marks vaguely using descriptions like óredô, ópale greenô. The immediate objection is that it does not tell us enough about the colour or its shade[54]. For instance when we use the word óredô to describe the mark, there are different shades of red people call all óredô. ñSuch descriptions lack precision and make it difficult for others to predict whether their use of colour is likely to infringe such a trade mark if it is registered without further information about the colour.ò[55]

To examine the issue of graphical representation of colour marks it would be important to look into the decision of ECJ in *Libertel Groep BV v Benelux Trademark Office*.[56] In this case, the request registration of a mark consisted of a single colour óorangeô. The attempt to graphically represent the mark was by submission of a sample of the color on a flat surface, a description in words of the colour and internationally recognized colour identification code. The main issue of this case was can this representation of the single colour óorangeô suffice for registration. The Court

[52] *ibid*

[53] See Arka Majumdar*, et al supra note* 45 p. 316

`[54] See Bainbridge *supra note* 7 p.673

[55] ibid

[56] Case No C-104/01

reiterated the criteria of graphical representation as laid down in the *Sieckmann case*, and held that such representation must be ćlear, precise, self-contained, easily accessible, intelligible, durable and objectiveô.

According to the ruling of the Court this case, it will be difficult for a sample of colour alone to pass the test because it is not durable and could fade away over time. But using an internationally recognized identification code like Pantone[57] seems like the best choice. Because such codes are deemed to be precise and stable, they are self-contained (no illustration is required), objective (what the code stands for is invariant on personal perception). Perhaps the requirement of easy accessibility could be problem.

iii. Olfactory marks

The registration of smells, odours and fragrances is another subject matter that naturally is difficult to be visually represented in unambiguous manner. A written description seems to be insufficient to clearly represent it. . Nevertheless, a small number of examples of registered olfactory marks exist in the UK:

1. the trade mark is a floral fragrance/smell reminiscent of roses applied to tyres (registration No 2001416);
2. The mark comprises the strong smell of bitter beer applied to flights for darts (registration No 2000234).

At the Office for the Harmonization of the Internal Market (Trade Marks and Designs) (ŐHIMô), an application to register, ťhe smell of fresh cut grassô for tennis balls was accepted (registration No 000428870).[58]

The *Ralf Sieckmann* v *Deutsches Patentund Markenamt case* is the most authoritative case on graphical representations and olfactory marks.[59] The application was in respect of a fruity smell

[57] The Pantone is a commercial system that designates specific shades numerically and categorizes over thousand such shades by unique codes

[58] Bainbridge *supra note* 7 p.676

[59] Case C-273/00 *Ralf Sieckmann* v *Deutsches Patentund Markenamt* [2002] ECR I-11737

which included a cinnamon-like smell. Mr. Sieckmann, the person seeking protection of a trademark consisting of smell, attempted to graphically represent his trademark. He described the mark thus: Trade mark protection is sought for the olfactory mark deposited with the Deutsches Patent und Markenamt of the pure chemical substance methyl cinnamate (= cinnamic acid methylester), whose structural formula is set out below. Samples of this olfactory mark can also be obtained via local laboratories listed in the Gelbe Seiten (Yellow Pages) of Deutsche Telekom AG or, for example, via the firm E.Merck in Darmstadt.

C6H5-CH = CHCOOCH3.

He strengthened his argument by declaring his consent for inspection of the files relating to the deposited olfactory mark methyl cinnamate and by submitting a sample in a container which stated that the scent was usually described as óbalsamically fruity with a slight hint of cinnamonô.

The chief issue in this case was whether an olfactory mark described as óbalsamically fruity with a slight hint of cinnamonô could be registered as a trademark in respect of certain services.

The Court of Justice however ruled that in relation to olfactory marks, the requirement that the sign is capable of being represented graphically cannot be satisfied by a chemical formula, by a description in written words, by the deposit of a sample of the smell or by a combination of those means. The Court reasoned that the chemical formula would not suffice, as the chemical formula represents the substance itself and not its odour. In addition a chemical formula, in general, lacks clarity and precision for two reasons. One, very few people would have the requisite formula to interpret the odour of a substance from its formula. Two, some substances would produce different smells at different temperature, concentration, etc. And samples cannot do enough either, because it is not a graphic representation and they suffer from the disadvantage that they are likely to deteriorate and change with time.

The Court of Justice does not rule out the possibility that olfactory marks can be protected by the law. The court confirmed that for the purposes of Article 2 of the Directive, a trade mark may consist of a sign which is not in itself capable of being perceived visually, provided that it can be represented graphically, particularly by means of images, lines or characters, and that the representation is clear, precise, self-contained, easily accessible, intelligible, durable and objective.

The US Trademark System provides for a different standard for protection of olfactory marks. The Traders Manual of Examining Procedure states that submission of a drawing of the mark is not mandatory for marks that consist solely of non-visual mark such as scent or sound.[60] Instead, applicants are expected to submit a detailed written description which is capable of expressing the mark in a clear manner. There are olfactory marks registered by submitting written description of the scent.[61]

Noble laureates, Dr Richard Axel and Dr Linda B Buck showed that each olfactory receptor cell in the human body is capable of sensing only one corresponding odourant receptor gene.[62] ñMost odours are composed of multiple odourant molecules, and each odourant molecule activates several odourant receptors leading to a formation of an óodourant patternô. As a result a precise óodour matrixô (similar to colour charts of the Pantone system) can be formulated for the purpose of classifying and identifying odours.ò[63] If this is put into practice, it may solve the representation of these marks graphically.

iv. Shape marks

The graphical representation of shape marks is a relatively simple task. A shape mark could be graphically represented by means of a drawing or set of drawings from different angles, perhaps accompanied by a description which may include some reference to dimensions.[64] A written description alone is unlikely to suffice unless the shape is very well known, such as a sphere or a pyramid.[65]

Drawings, even coupled with written descriptions, can still suffer from the defect of lacking precision and clarity. In *Triomed (Proprietary) Ltd* v *Beecham Group plc*,[66] the South African High Court revoked a shape mark used for pharmaceuticals. The description given to the mark is

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[60] http://www.uspto.gov/web/offices/tac/tmep/0800.htm#_Toc1 0046391.

[61] For instance the In *Re Clelia Clarke* case, USPQ 2d 1238(1990)

[62] See Arka Majumdar, *et al supra note* 45 p.315

[63] *ibid*

[64] See Bainbridge *supra note* 7 p.677

[65] *ibid*

[66] *Triomed (Proprietary) Ltd* v *Beecham Group plc [2001] FSR 583. c*

óshape and configuration of a tablet *substantially* as shown in the representationô(emphasis added) and, furthermore, the registration applied to all dimensions of the tablet and in all coloursö. The court first reasoned that the description lacked precision and clarity because the registration extended beyond the actual representation to a shape ósubstantiallyô as depicted to all dimensions of the tablet in all colours. Besides, the Court reasoned that the mark was incapable of distinguishing the goods of the proprietor from those of other traders.

The problem related to shape marks is that it is possible to pass all the legal requirements but the public may not regard them as trademark. ñThis may be the case where goods of a certain shape are well known as being from a particular manufacturer, but it is the name of the manufacturer rather than the shape of the goods which is recognized as being the trade mark by the public.ò[67]

3.2.2. Distinctiveness

Trademarks are in general used to distinguish the goods or services of one undertaking from those of another. In other words, a trade mark should act as a badge of origin to the consumer for the goods and services to which they attach.[68] This definition carries the notion of distinctiveness as to business source. So consumers should be able to trace back the source of a product using just the trademark. Or at least the trademark must be capable of being an indicator to the origin of the trademarked product. Practically, this concept of origin is to mean when a certain good or service is delivered to consumers using a certain trademark, the consumers feel assured that that person doing the marketing is authorized to distribute them by the company that owns the trademark.[69]

ñThe basis of trade marks being to show a connection between undertakings and their goods or services so as to distinguish them from other undertakings has important implications in terms of character merchandising and in relation to memorabilia. For instance, when a person buys a

[67] See Bainbridge *supra note* 7 p.678

[68] Jennifer Davis, *Between a Sign and a Brand: Mapping the Boundaries of a Registered Trade mark in European Union Trademark law ,in* Lionel Bently, Jennifer Davis and Jane C. Ginsburg*(edt), Trade Marks and Brands An Interdisciplinary Critique* 2008 p.75

[69] Andrew Griffiths, *An Economic Perspective on Shared Name Issues in Trade mark Law* in Ilanah Simon Fhima,(edts) *Trade Mark Law and Sharing Names Exploring Use of the Same Mark by Multiple Undertakings (*2009), p.16

product that carries the name or image of a famous person or fictitious character, he is buying it because it carries the name or likeness and will usually be indifferent as to the source.ò[70]

One of the most common requirements of trademark laws to make sure the element of distinctiveness is met is that trademarks should not be merely descriptive. There should be something about the mark that is either actually or is potentially referring to the business origin.

For instance, according to the US Federal trademark law (section 32), which is also known as the Lanham Act, addresses this matter. The following passage from the Act reads,

No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless . . .

(e) it consists of a mark which, (1) when applied to the goods of the applicant is merely descriptive or deceptively misdescriptive of them . . .

One of the key expressions here is ñmerely descriptive.ò The provision is saying that a protected mark must be more than just a description of the contents of the product or service.

The Lanham Act continues:

(f) . . . nothing herein shall prevent the registration of a mark used by the applicant which has become distinctive of the applicantôs goods in commerce . . .

Here the key word is ñdistinctive.ò Nothing shall prevent registration distinctive, as opposed to merely descriptive, marks. Here the law is allowing marks to be registered not because it is naturally descriptive but gains descriptiveness over use. If it reached the point where the consumers can trace back the origin of the product using the mark, then it has gone way beyond being just ñmerely distinctiveò and is illegible for registration. Even a clearly descriptive name can be protected if it has what trademark law refers to as ñsecondary meaning.ò When a business has used a word exclusively for a long time or has promoted its product to the extent that the public does not register its literal meaning in their mind and associates it only with that business or product,

[70] See Bainbridge *supra note* 7 p. 657

the words are said to have attained secondary meaning. When secondary meaning is proved, the issue of whether or not the words are descriptive is no longer important.

Black's Law Dictionary offers the following definition of secondary meaning:

A special sense that a trademark or tradename for a business, good, or services has acquired even though the trademark or tradename was not originally protectable ï also termed special meaning; trade meaning.

By establishing secondary meaning, descriptive names, such as Holiday Inn (a hotel chain) or Tender Vittles (a brand of pet food), also have trademark protection even though they are otherwise considered descriptive.[71]

As discussed above, a descriptive mark which is otherwise unprotected could suffice for registration if it acquired distinctiveness through use in US trademark law. There is another interesting use of descriptive words which satisfies distinctiveness element. It is a use of a combination of two or more admittedly descriptive elements that could result in a composite mark that is not merely descriptive.[72] For example, for Mouse Seed (a rodent exterminator) both ñmouseò and ñseedò can be said to be descriptive but, when combined, the result is not. Sugar and Spice (bakery products) and Season-All (storm windows), despite the fact that the two words composing them are descriptive, are also said to have produced a composite mark that is not merely descriptive.[73]

The test of distinctiveness character of a trademark has a lot to do with the nature of the words used. J. McCarthy sets out four categories of marks: arbitrary or fanciful, suggestive, descriptive, and generic.[74]

[71] See Shuy *supra note* 1 p. 33

[72]*id*

[73] *ibid*

[74] McCarthy supra note 4 p. 439

i. Generic names

Generic trademarks consist exclusively of signs or indications which have become customary in the current language or in the *bona fide* and established practices of trade. The Generic trademarks cannot be registered and the reasoning is that such generic marks do not allow the órelevant public to repeat the experience of a purchase, if it proves to be positive or to avoid it, if it proves to be negative, on the occasion of a subsequent acquisition of the goods or services concernedô.[75] If the name of the trademark contains the same ingredients as the trade named products, then it is generic.[76] ñColaò is generic; ñPepsi-Colaò is not.

Examples include words that other traders might legitimately wish to use for their products such as *aspirin*, *cornflakes*, *escalator*, *linoleum*, *yo-yo*, which have all been held to be generic and not registrable under either European or United States laws.[77]

ii. Descriptive names

ñAs the name denotes, descriptive words are ones that describe the qualities, ingredients, or characteristics of a product, making them difficult to protect as trademarks.ò[78]

McCarthyôs definition of descriptive mark can be summarized as:

If a mark describes the intended purpose of the good, the function, or the use or class of uses of the good, size of the goods, or the end effect the good has upon users, it shall be deemed to be descriptive trademark.[79]

Examples of descriptive terms which would be denied protection, unless there is evidence of acquired distinctiveness, include:[80]

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[75] See Dutfield *et al supra note* 7 p.145

[76] See Shuy *supra note* 3 p.32

[77] See Dutfield *et al supra note* 7 p.145

[78] See Shuy *supra note* 3 p.32

[79] See McCarthy *supra note* 69 p. 442-3

[80] See Dutfield *et al supra note* 12 p. 143

Å terms indicating kind, quality or quantity of the goods or services such as óbestô, ógoodô, or óextraô or ópintô or ókiloô or óFrootloopsô for cereal preparations containing fruits;

Å Terms which inform of the intended purpose of the product such as óGet Thinô for weight loss products;

Å Terms indicating value such as óBargainô or óSuperô;

Å Terms indicating geographical origin of the product or service such as óArgentine Beefô for butchers[81]

Å Terms indicating the time of production of goods or rendering of services, such as ó24-hour onlineô.

According to the ECJ a key reason for denying registration to descriptive signs which have not acquired a secondary meaning is not only their lack of distinctiveness but also that their descriptive meanings should not be monopolized but rather should be left free for other traders to use. This is the rationale behind prohibiting geographical names from trademark registration in the Community Trademark System and other systems around the world.[82]

Under both the Lanham Act and common law, one test to determine whether a mark is ñmerely descriptiveò is what that mark attached to a product would mean to a potential buyer.[83] The word ñmerelyò apparently means that if the mark tells the customer only what the goods are, their functions, characteristics, use, or ingredients, then the mark is descriptive.[84]

A question may arise in case where a mark is composed of two descriptive words, what the outcome would be. The ECJ in Koninklijke v Benelux-Merkenbureau case held that a mark consisting of descriptive elements is itself descriptive unless there is óa perceptible differenceô between the word and the sum of its parts, so that the word has acquired its own meaning

[81] There is a possibility that terms indicating geographical origin could be protected as collective trademarks

[82] The exception of secondary meaning acquired over use remains intact.

[83] See Shuy, *supra note* 3, p. 32

[84] *ibid*

independent of its components.[85] And of course the new meaning of the combined word should not itself be merely distinctive.

Efforts to change the form of an otherwise descriptive term, for example by adding a prefix or affix, misspellings of a word, or abbreviations of a descriptive term will not automatically remove the mark from the descriptive category.[86] For instance, ñFlexitized,ò a name on a flexible collar, and ñNylonized,ò on nylon-treated fabrics, were both considered descriptive despite their addition of the suffix, ñ-ize.

iii. Suggestive Names

Suggestive marks are ones that fall somewhere on an undefined continuum between poles of merely descriptive and arbitrary/fanciful. There is some connection between suggestive name and the product. But what makes it different form descriptive name is that it requires some level of imagination in the mind of a potential buyer to make a connection to the product. For instance, the trademark, Greyhound (a bus line) suggests sleekness and speed, and Tide laundry soap) is suggestive to the extent that it pleasantly suggests water.

Suggestive names could be difficult to be distinguished from arbitrary names. : For legal purposes, there is little, if any, reason to make the distinction because both Arbitrary and Suggestive marks fall within the same legal pigeon hole of classification in that neither category requires proof of secondary meaning for legal protection and registration.[87]

There are four legal tests for suggestive marks: The imagination test, the competitorsô need test; the competitors use test, and sometimes the dictionary test. The most commonly used is the imagination test. The more imaginativeness that is required by the consumer to get some direct description of the product from the mark, the more likely the term is to be considered suggestive.[88] Of course suggestive marks may suggest the ingredients, qualities or characteristics of the product or service. But this is done indirectly unlike the clear and direct suggestion made by descriptive

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[85] *Koninklijke KPN Nederland NV v Benelux-Merkenbureau*, Case C-363/99 [2004] 2 CMLR 10, para 5

[86] See McCarthy *supra note* 69 p. 459

[87] *Ibid* p.440

[88] *ibid*

marks. ñApplying this test requires using judgment about just how immediately and directly the consumerøs mind works to get from the mark to the product. If the purchaser has to make use of mature thought and engage in a multistage reasoning process to connect the mark to the product or service, the term is judged to be suggestive. If the mental leap is immediate, the mark is usually held to be descriptive.ò[89]

The competitorsô need test grows out of the imagination test and examines the name from competitors perspective. Its thesis is that the more imagination that is required to associate the mark with a product, the less likely the words will be needed by competitors to describe their own products. If competitors donøt use it, this is said to indicate that the mark is suggestive, not descriptive.

According to the competitorøs use test, if there is high probability or actual use of a name for different products of the same undertaking, the mark is suggestive, not descriptive. The important point is that the public should understand the term as a badge of trade origin not identification or description of the product.

Finally, dictionaries and third party registrations of a mark are evidence of the meaning of a word.

iv. Fanciful and Arbitrary Names

McCarthy defines a ñfancifulò mark as ña word which is coined for the express purpose of functioning as a trademarkò.[90] ñFanciful words are ones that are either totally unknown in the language or are completely out of the current common usage, as with obsolete or scientific terms that are not familiar to the ordinary consumer.ò[91] Well recognized examples of fanciful trademarks include Kodak (photography equipment), Clorox (bleach), Cutex (fingernail products), Polaroid (photography equipment), Sanka (coffee), Yuban (coffee), and Xerox (photocopying equipment).[92]

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[89] See Shuy *supra note* 3, p.37-38

[90] McCarthy *supra note* 69 p.436

[91] See Shuy *supra note* 3, p.39

[92] *id*

Fanciful marks are considered the strongest of all marks because they are novel enough to make a strong impact on the buyerõs mind.[93] Still, fanciful marks are relatively rare, perhaps because they are so linguistically distant from the product or service they represent.[94] Though using fanciful marks provide the best protection against infringement, it has a risk form marketing perspective. Consumers may find the term so unusual that they do not associate it with the product at all.

An arbitrary mark, ñconsists of a word or symbol which is in common usage in the language, but which is arbitrarily applied to the goods or services in question in such a way that it is not descriptive or suggestiveò[95] Good examples of arbitrary mark include, Black and White (scotch whisky), Nova (television series), Camel (cigarettes), Shell (gasoline), Apple (computers), Arm and Hammer (baking soda). None of these marks strike any connection to their respective products in the mind of consumers.

Arbitrary marks are strong in a way that they do not require secondary meaning to secure legal protection. But they are not as strong as fanciful marks because, they may be in common use as a mark in their own or in other product fields, making them potentially weak.[96]

v. Shape Marks

There exists some restriction in most trademark systems as regards trademarks consisting exclusively of shape marks. For instance the European Community Trade Mark Regulation bans registration of trademark consisting exclusively of[97]:

(a) The shape which results from the nature of the goods themselves;

(b) The shape of goods which is necessary to obtain a technical result (for example, the head of a screwdriver; the shape of a ball; the shape of a wheel);

[93] *Ibid* p.40

[94] *id*

[95] See McCarthy *supra note* 69 p.439

[96] See Shuy *supra note* 3 p.40

[97] CTMR, Article 7(1) (e)

(c) The shape which gives substantial value to the goods (for example, an elaborate bottle for perfume

Such shape marks cannot serve as a badge of origin. They are like descriptive marks. The rationale behind this provision could be multiple folds, inter alia, to minimize areas of cumulative protection between patent, design and trade mark laws, and part of the role of this clause is to prevent trade mark proprietors obtaining permanent monopolies in functional engineering designs and shapes.[98]

3.2.3. Public and Moral Policy

Consideration of public and moral policy is given place in trademark law for registrations of a trademark even though all the rest criteria are satisfied. Such consideration may lead to refusal of registration of a mark if;

ÅThe mark is contrary to public policy or accepted principles of morality, or

ÅThe mark is of such a nature as to deceive the public (for instance as to nature, quality or geographical origin of goods), or

ÅThe mark comprises a specially protected emblem, or

ÅTheir use is prohibited, or

ÅIf the application for trade mark is filed in bad faith.[99]

4. Relative Grounds of Refusal

The relative grounds of refusal are based on the conflict or potential conflict between the trade mark for which registration is sought and earlier trade marks (whether or not registered) and other earlier rights: for example, a figurative sign protected by copyright belonging to a third party.[100] It is universal law that registration will also be refused to distinctive trademarks which nevertheless conflict with earlier trademarks or with any other rights which exist in the sign. . Infringement of

[98] See Dutfield *et al*, *supra note* 12 p. 145

[99] CTMR, Article 7(1)(f) and (g),

[100]See Bainbridge *supra note* 7 p.669

trademark rights can occur when a mark is adopted that is the same or sufficiently similar to the mark of another and makes use of that mark for sufficiently related products or services.[101]

The Community Trademark Law provides that protection will be refused if the mark for which registration is sought[102]

Åis identical to an earlier registered mark, in relation to identical goods, or

Åis identical or similar to an earlier registered mark, in relation to identical or similar goods, *and* if there is confusion including a likelihood of association;

Åis identical or similar to a registered famous mark, in respect of either similar *or* dissimilar goods, *and* if unfair advantage is taken of or is detrimental to the distinctive character or repute of the famous mark (anti-dilution)

Relative grounds of refusal have a relation with the law dealing with infringement. Therefore the matter will be further discussed in the next section.

5. Scope of Protection

Trademark s have a proprietary nature in a way they the law guarantees the owner property rights. The owner of a trademark has the exclusive right to use that mark in the ownerὃs scope of products or services or to license that mark to others for use in different fields.[103] This right given to trademark owners has a reciprocal duty on third parties to respect the ownerὃs right. Which means owners can prevent others from cashing in on their marks or creating confusion on the part of consumers about the true origin of the product or service.[104]

In most countries, an owner of a trademark has two ways to go when his/her property rights are violated by third parties .one way would be charges of trademark infringement and the other with charges of unfair competition. Some differences exist between British law (along with countries

[101] See Shuy *supra note* 3 p.30

[102] CTMR, Article 8

[103] See Shuy *supra note* 3,p.28

[104] *ibid*

following British law traditions) and US (along with countries sharing US law traditions). Roger Shuy explains the difference between the two traditions as follows.

ñIn the US, decisions about infringement are based on whether or not the alleged offending partyôs usage of the mark will lead to confusion, mistake or deception. In contrast, the UK Trade Marks Act of 1994 considers infringement to be based on identical marks used on identical goods or services, on identical marks used on similar goods or services resulting in a likelihood of consumer confusion or association with that trademark, and on identical or similar marks used on non-similar goods and services when their use would take unfair advantage of or be detrimental to the character or reputation of the mark.

In the UK the term ñpassing offò is used to describe the action of protecting the reputation and goodwill of a trademark that comes from its use. It involves a markôs reputation gained through use, any misrepresentation of it, confusion growing out of its use, and real damages. The US and most countries of continental Europe make use of a similar concept called ñunfair competition.ò Passing off leads to a focus on issues of *actual financial damage* while ñunfair competition,ò as its name implies, focuses more on issues of *intention to benefit unfairly* from the trademark ownerôs goodwill and reputation, especially in the long term.ò[105]

Article 16(1), TRIPS Agreement states the following in relation to the scope of trade mark protection:

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

[105] See R. Shuy *supra note* 3p.44

Let us take this provision of the TRIPS Agreement as a benchmark to breakup elements of trademark infringement. Accordingly, there are three elements of infringement and each will be discussed as follows.

(a) Unauthorized use

(b) Of an identical/similar mark on identical/similar goods and

(c) A likelihood of confusion

(1) Use in course of trade

Trademark infringement occurs when there is unauthorized use of a protected mark in trade. What constitutes úuseô has not been elaborated by the TRIPS Agreement. But the European legislation does offer an illustrative list of activities that can constitute unauthorized use:[106]

Åaffixing it to goods or to their packaging;

Åoffering the goods, or putting them on the market or stocking them for these purposes under that sign, or offering or supplying services under the sign;

Åimporting or exporting the goods under that sign; and

Åusing the sign on business papers and in advertising

Other types of unauthorized uses which would probably constitute infringement of the mark include use of a mark on a website, applying to register anotherǒs trade mark, and even invisible use such as use of the mark in a metatag.[107]

(2) identical/similar mark vs. identical/similar goods

Double identity of either the marks at dispute or the products they are attached to is another consideration in trademark infringement cases. When it comes to the marks, it is clearly stated in trademark laws that they should not be identical or similar. The sophisticated issue when are two trademarks are said to be similar? Opposing parties often argue over three major questions: Does

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[106] Article 9(2), CTMR.

[107] See generally Phillips J. *supra note* 29, chapters 7 and 17

it look the same? Does it sound the same? Does it mean the same? Roger Shuy highlights the importance of linguistics in this respect. Accordingly, ñThe question of whether or not it ñlooks the sameò is a matter of syntax, morphology, and graphemics (the study of letters and symbols). The question of whether or not it ñsounds the sameò is a matter of phonetics and phonology (the study of speech sounds and their structures). The question of whether or not it ñmeans the sameò is a matter of semantics and pragmatics (the study of word and discourse meaning)ò.[108]

As to the identity of the goods to which the trademarks are used the Court in *British Sugar v. Robertson*[109] case laid guidelines to settle the issue. The factors to be considered to determine whether the products were similar or identical include; the respective *uses* and *users* of the respective goods or services; the physical nature of the goods or acts of services; the respective trade channels through which the goods or services reach the market; and the extent to which the respective goods or services are competitive.

The Community Trademark System gives trademark owners an absolute right to prohibit third parties from using signs that are identical on products that are exactly alike.[110]The practical result is that a trademark owner who seeks redress for infringement in the identity case need not show a likelihood of confusion. In contrast, the Lanham Act treats situations where identical marks are used on identical products in the same way as when similar marks are used in connection with similar products.[111] Article 16 of the TRIPS Agreement takes an intermediate position. While it subjects all infringement cases to the likelihood of confusion test (similar to the Lanham Act), it presupposes a likelihood of confusion in the identity case

(3) Likelihood of confusion

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[108] See Shuy supra note 3,p. 42

[109] (1996) RPC 281.

[110] *See* Trademark Directive No. 89/104, art. 5(1)(a), O.J. L 40/1, at 4 (1989); Trademark Regulation No. 40/94, art. 9(1)(a), O.J. L 11/1, at 5 (1994)

[111] 15 U.S.C. § 1114(1)(a) (for registered trademarks); 15 U.S.C. § 1125(a) (for unregistered marks) (1994 & Supp. 1998).

If the junior mark is merely similar to the senior mark or the products on which the marks are used are not exactly alike, the remedies available in various jurisdictions appear to be uniform. In such case the trademark owner is required to prove a likelihood of confusion among consumers.[112]

Trademark owners must show that as a result of the allegedly infringing behavior, there is a likelihood that consumers might get confused:[113]

(i) as to the source of the products that are sold under the infringing sign;

(ii) As to whether the owner of the mark has endorsed or sponsored the products that carry that sign; or

(iii) As to whether the owner of the mark and its alleged infringer are affiliated or otherwise linked to each other.

The decision over the potential confusion created by a latter mark over an earlier mark has a lot to do with the strength of the marks. It is commonly known that not all trademarks are equal. ƒStrongerŌ marks enjoy a broader protection than ƒweakŌ marks. The rationale is that the more distinctive, unique and well known the mark, the deeper is the impression it creates upon the publicŌs consciousness and the greater the scope of protection to which it is entitled.[114]

Weighing the strength of a mark has two aspects. Shuy identifies the two criteria as follows,[115]

1. The placement of the mark on the spectrum of marks and assessment of the marketplace value of the mark, focusing on the inherent potential of the term at the time of its first use; and

2. The marketplace recognition value of the mark, which evaluates the actual customer recognition at the time the mark is asserted in litigation to prevent anotherŌs use.

For the first test, the generic-descriptive-suggestive-arbitrary/fanciful categorization is relevant. If the dispute is for instance between a suggestive mark and a fanciful mark, the fanciful mark has

[112] For instance, *See* 15 U.S.C. § 1125(a)(1)(A); Trademark Directive No. 89/104, art. 4(1)(b), O.J. L 40/1, at 3 (1989); Trademark Regulation No. 40/94 art. 8(1)(b), O.J. L 11/1, at 4 (1994)

[113] See McCarthy *supra note* 4 p.24-6

[114] *Ibid* p. 504

[115] See Shuy *supra note* 3 p.43

more power to create a good impression on consumers. But this is not enough. It does not mean that all fanciful marks are stronger than suggestive marks. The suggestive mark could be well implemented and promoted to the public that it could result in a deeper impression on consumers. This is where the second test fills such gaps. A descriptive mark could, for instance develop a secondary meaning and stronger consumer recognition that it could be considered as stronger. So the actual impact of the marks in the minds of the consumers should also be a consideration.

The real issue is not so much whether a mark is ñstrongò or ñweakò. The consumersô perspective is more important. So the question is whether or not the senior userôs mark is sufficiently distinctive that the junior userôs mark will create customer confusion when used in a different format and with a different appearance, when it is used on a different line of goods, or when it is used in a different territorial area.[116]

Graham Dutfield and Uma Suthersanen discussed a case where this issue is raised as follows.

ñIn *Sabel v. Puma*,[117] Puma were registered proprietors of two pictorial trademarks depicting large cats in various bounding and leaping positions. The mark was registered for leather goods and articles of clothing. Subsequently, Sabel applied to register their mark which depicted a bounding cheetah, with the word óSabelô for leather and imitation leather products, and clothing. The European Court of Justice was asked to determine the scope of trade mark protection, especially in relation to the test for determining the likelihood of confusion. Specifically, would the mere association which the public might make between the two marks, through the idea of a óbounding felineô, justify refusing protection to the óSabelô mark for products similar to those on the list of articles covered by Pumaôs priority mark?

The Court of Justice held that the test for trade mark protection is whether there is a ólikelihood of confusionô which includes the ólikelihood of associationô; the two notions are not alternatives but rather complementary concepts. To find trade mark infringement, some degree of confusion on the part of the public is essential. Moreover, likelihood of confusion should be appreciated globally, taking into account all the factors relevant to the case, such as visual, aural and conceptual

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[116] *ibid*

[117] See *Sabel BV v. Puma AG, Rudolf Dassler Sport*, Case C-251/95 (1997) ECR I-6191, I-6224

similarity of marks. The Court further noted that ñthe ordinary consumer *normally* perceives the mark as a whole, and does not necessarily analyze each element of the mark, adding that the more distinctive and strong a mark was, the greater the likelihood of confusion.ò[118]

6. Duration of Protection

The term of protection for trademarks is very dependent on individual countries. Under the TRIPS Agreement, the minimum term of protection is a term of no less than seven years, with the registration being renewable indefinitely.

In the US, trademark rights continue indefinitely as long as the owner uses the mark properly, renews the registration every 20 years, and files a declaration of use during the sixth year after it is registered. Non-use for two consecutive years is considered abandonment of the mark in the US, while the time limit is five years in the UK. Laws governing the timing of renewals differ in other countries. A large number of countries have relatively uniform trademark laws, many modeled after the British Trade Marks Act of 1938.

7. Limitations and Defenses

The protection of trademarks is not absolute and is subject to limitations provided by a given trademark law. And third parties are offered with defenses for trademark uses which would otherwise be regarded as infringement of trademark. In other words, some unauthorized uses of a protected trademark are permissible as a matter of law. The European trademarks Regulation article 12 provides for specific lists of uses of trademarks that are deemed to be legitimate. The provision states:

A Community trade mark shall not entitle the proprietor to prohibit a third party from using in the course of trade:

(a) His own name or address;

[118] See Dutfield *et al supra note* 12, p. 149

(b) indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of the goods or of rendering of the service, or other characteristics of the goods or service;

(c) The trade mark where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts, provided he uses them in accordance with honest practices in industrial or commercial matters.

A common defense in trademark law is what is called the fair use doctrine. Fair use could take two forms; classic (descriptive) fair use and doctrinal fair use. The classic or descriptive fair use is a non-commercial use of a trademark to describe a product with no intention of hurting the interest of the proprietor. It has been generally understood that defendants in secondary meaning mark infringement cases must use their allegedly infringing words or symbols in close, direct association with their products or services, in a manner likely to indicate source.[119] There should be good faith on the part of the defendant in using the mark to describe his/her products. The defense is available only to competitors who use a word in its common or primary sense.[120] The US Trademarks Act provides for an affirmative defense of fair use,:

Use of the name, term, or device charged to be an infringement is use, otherwise than as a mark, é . of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin.[121]

The idea behind descriptive fair use is the doctrine is applicable to use of a protected trademark which have a descriptive character but gained protection of the law due to an acquired secondary meaning. But the expression of the mark is an element of the public domain. The general protection of trademark law results in constraint on the use of commonly understood terms like geographical designations, personal names and descriptive marks already protected. Meanwhile, the domain of defenses and limitations under the trademark law balances such constraint by allowing competitors

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[119] Margreth Barret,(2010) "Reconciling Fair Use and Trademark Use" *Cardozo Arts & Entertainment*, Vol. 28 No.1, p.22

[120] Uche U. Ewelukwa,(2006), "Comparative Trademark Law: Fair Use Defense in the United States and Europe-the Changing Landscape of Trademark Law", *Widener Law Review* Vol. 13 No. 97 p.111

[121] 15 USC §1115(b)(4).

to make ñfair useò of the protected terms to describe their own goods or services, their geographic origin, or the names of people involved in their own business[122]. The law should be used by the proprietor of the trademark to bar members of the public from using the mark having descriptive character. Some scholars associate this rationale of fair use to freedom of expression.[123] ñWithout such limitations, mark holders could gain an unfair advantage by preventing competitors from describing their products adequately, and the public would lose valuable information that reduces search costsò.[124] The descriptive fair use doctrine is also an important safeguard for a competitor's ability to communicate freely and thus is a safeguard of consumer interests.[125]

ñTo avail oneself of the fair use defense, a defendant in a trademark infringement action must demonstrate that he did not use the plaintiffôs mark in its trademark or secondary sense. In other words, the defense is available only to competitors who use a word in its common or primary senseé é In *PACCAR Inc. v. TeleScan Technologies, L.L.C.*,[126] the court denied the fair use defense, in part, because the court found that the defendant used the plaintiffôs marks as trademarks. In addition to using the plaintiffôs marks ñPeterbiltò and ñKenworthò on its Website, defendant, TeleScan, also displayed the marks in the wallpaper underlying the manufacturer-specific Websites in fonts similar to the distinctive fonts in PACCAR's trademarks and included the words ñPeterbiltò and ñKenworthò in the sitesô metatags.[127]

The US Supreme Court in *KP Permanent Make-Up, Inc. v. Lasting Impression I Inc*[128] ruled that in cases where fair use defense is an issue, the plaintiff claiming infringement of a trademark must

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[122] Peter Menell & Suzanne Scotchmer, *Intellectual Property: Handbook of Law & Economics*, 2005 p.73

[123] See generally, William McGeveran, "Rethinking Trademark Fair Use" *Iowa Law Review,* Vol. 94, 2008, also see generally Lisa P. Ramsey(2010), "Free Speech and International Obligations To Protect Trademarks" *The Yale Journal of International Law,* Vol. 35 No.405

[124] Ibid, p.82

[125]Robert Brauneis and Roger E. Schechter, "Geographic Trademarks and the Protection of Competitor Communication", *Trademark Rep.* Vol.96 2006 p.806

[126] 319 F.3d 243 (6th Cir. 2003).

[127] Ewelukwa Supra note 116

[128]543 US — (2004).

show the likelihood of confusion by the use of the trademark by the defendant. Only then the jury goes to examining whether the use was fair and the burden to prove this lies on the defendant.

The nominative use doctrine allows others to use a protected mark to describe the mark ownerôs product, as, for example, in comparative advertising or in non-trademark usages. The Ninth Circuit in the above stated *KP Permanent Make-Up, Inc. v. Lasting Impression I Inc* case defined nominative fair use ñnominative fair useò which occurs when the alleged infringer uses a mark to describe the trademark ownerôs product, even though the ultimate purpose of the use may be to describe the alleged infringerôs product.[129] Allowing such uses reduces consumer search costs by making it easier to communicate relevant information to consumers, thereby promoting free competition and use of language.

8. Well- Known Trademarks

The "well-known marks doctrine" dictates that if a foreign mark is well-known and recognized in a nation, the nation should give protection, even if the rights holder does not use or register the mark in that nation.[130] The primary source of protection of well-known trademarks is the Paris Convention which urges for the protection of well-known trademarks to be available in all member states.[131] Though it does not provide for its definition or parameters, this step is further upgraded by the Madrid System. Both the Madrid Agreement Concerning the International Registration of Marks ("Madrid Agreement") and the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks ("Madrid Protocol") explicitly provide that once a trademark has been registered in a member country, it is protected in all member countries as if it had been registered in each member country directly.[132] These treaties provide that priority to registered

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[129] See Jeanne M. Hamburg, "High Court Rules Trademark Use May Be Confusing, but Still Fair" *New York Law Journal,* Vol 233 No. 22, 2005

[130] See, Andrew Cook, "Do as We Say, Not As We Do: A Study of The Well-Known Marks Doctrine in The United States", *The John Marshal Review of Intellectual Property Law*, Vol.8 No.412, 2009, p. 413, cited, J. Thomas MC McCarthy, *Trademarks and Unfair Competition* (4th ed. 2008) § 29:61

[131]See Paris Convention for the Protection of Industrial Property art. 6bis, Mar. 20, 1883

[132] *See* Madrid Agreement Concerning the International Registration of Marks arts. 4, 4bis, Apr. 14, 1891, Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks art. 4, *adopted* June 28, 1989.

marks in one member country grants priority in all member countries, thus implicitly endorsing the well-known marks doctrine.

The TRIPS Agreement takes this standard a step further and sets two factors for determining well-known trademarks.[133] The first consideration is the knowledge of the trademark in the relevant sector of the public. And the second factor is whether the interest of the owner of the trademark is likely to be damaged if not protected. States member to the TRIPS agreement, of course recognize well known trademarks, but the detailed parameter of declaring a mark well known remains a domestic matter. The TRIPS criterion for determining whether a mark is legally well known demands a greater jurisprudence for states to avoid uncertainty. To fill some of the gaps a WIPO Joint Recommendations concerning provisions on protection of well-known marks is available offering optional guidelines.

There are varieties of terms used to refer to trademarks which possess certain reputation, including famous trademarks, well-known trademarks, widely-known trademarks, trademarks with good reputations, etc. Well-known trademarks and famous marks are commonly confused and sometimes used interchangeably by scholars and courts.[134] A well-known trademark is different form the Famous Trademark in the US trademark law. Famous trademarks are known or recognized among ñthe general consuming publicô while well-known trademarks takes a narrower consideration of óthe relevant sector of the publicö.[135] The Community Trademark Regulation makes the distinction between well-known trademarks and trademarks with reputation. well-known trademark is recognized by consumers in relation to the goods and services it is attached to due to an extensive use advertisement without out losing its distinctive character while trademark with reputation is not only recognized by consumers due to extensive use but also had a general reputation in the Community. [136]Despite well-known trademarks, the protection for trademarks with reputation extends beyond the similarity of the goods and services, in the case

[133] TRIPS Agreement, Article 16 (2)-(3)

[134] Hà Thi Nguyet Thu, "Well-Known Trademark Protection Reference to the Japanese experience" Final Report In Fulfillment of the Long Term Fellowship *Sponsored By:* World Intellectual Property Organization (WIPO) in Collaboration with the Japan Patent Office April 2 - September 30, 2010, p. 48

[135] See, Andrew Cook supra note 128 p.145

[136] See CTMR Art.8(2) (c)

where the later mark would take unfair advantage of, or be detrimental to, the distinctive character or the reputation of the earlier mark.[137]

If a mark is considered to be well-known, it shall receive protection without registration. The Paris Convention gives protection to well-known trademarks by banning any use of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a well-known for an identical or similar goods.[138] the TRIPS Agreement extended the protection of well-known marks to services and even in cases of dissimilar goods or services, provided that use of that mark in relation to those goods or services would indicate a connection between those goods or services and the owner of the well-known mark and the interests of the owner of the well-known mark are likely to be damaged by such use.[139] Under this regime, a proprietor of a well-known trademark is able to stop third parties from using the same or similar mark is situations where there is no likelihood of confusion in the minds of the consumers as to the origin of the good as long as it is possible to show the unauthorized use tarnishes the reputation of the well-known trademark, erodes the distinctiveness of the well-known trademark or misappropriates the goodwill generated by the well-known trademark.[140]

Common well known trademarks around the globe include Coca-Cola, Microsoft, IBM and Google.

9. Dealings with Registered Trademark

Property rights generally grant the proprietor a right to make use of it in any possible way. Apart from making use of the trademark for the actual commercial origin, licensing and assignment of the property rights are the common ways of dealing with a registered trademark. But this concept is somehow alien to the very idea that trademarks basically indicate one particular commercial

[137] See CTMR, Art. 8 (5)

[138] Article 6*bis*(1)

[139] TRIPS Article 16(3)

[140] *See Burton Ong, The trademark law provisions of bilateral free trade agreements* in Graeme B. Dinwoodie & Mark D. Janis(eds) *Trademark Law and Theory: A Handbook of Contemporary Research*, 2008 p.244 See also, *Resource Book on TRIPS and Development* UNCTAD-ICTSD 2005, p.240-1

origin.[141] For this reason, many countries were reluctant to endorse such dispositions of trademark rights in the past and when permitted legal safeguards were frequently in place to make sure the momentum of the basic function of a trademark as a badge of a particular commercial origin is not lost and consumers were not mislead as to the true source of the goods.[142] This traditional attitude had been defused by Article 21 of the TRIPS which recognizes the rights of proprietors of trademark to assign or license trademark rights and thereby compelling Member States to accept it.

Andrew Griffiths attempted to reconcile the alleged contradiction between the óbadge of originô function of trademarks and assignment and licensing.[143] According to his argument, the understanding that assignment and licensing of trademark is inconsistent with the basic function of trademark as a badge of origin is based on an erred conception of this function of trademark. When there is more than one undertaking in the chain of marketing, the guarantee of origin of the trademark means that the consumer can be assured that the product has been sold in a manner where previous stage of marketing has not been interfered by an unauthorized person to affect the original condition of the product. Trademarks are not really tools of tracing the manufacturers of the product; rather, they show that the product has gone along the process of the business using the trademark where the proprietor authorized and dictated the condition the product is marketed. ñThe key factor that makes products those óofô one undertaking and gives them a specific óoriginô is that one undertaking (or a collaborating group of undertakings) has had ultimate control over their óconditionô at the point of marketing and sanctions their presentation to consumers under the trade mark. The owner does not therefore have to make the goods or deliver the services itself, but it must somehow sanction and endorse them as its goods or services. In effect, a trade mark indicates that one undertaking has accepted commercial responsibility, this óeconomic guaranteeô reflecting its power to control their condition and its exclusive right to authorize the use of the trade mark.ò[144]

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[141] See Annette Kur, *Marks for goods or services (trademarks)* in Carlos M. Correa(edt), *Research Handbook on the Protection of Intellectual Property under WTO Rules, Intellectual Property in the WTO Volume I,* 2010, p.443

[142]*ibid*

[143] See generally, Griffiths *supra note* 69 p. 13-31

[144] *Ibid*, p.15-16

Voluntary sharing of names is largely justified by an economic importance. The proprietor is benefited from reduced costs of production and a wider range of marketed products.[145] It also gives the proprietor an incentive to ensure quality of the product so that the sharing of names does not result in reduced appeal among the consumers.[146]

10. International Legal Framework of Trademarks

The trademark laws of states around the world have overwhelming differences to carry out an independent study. Fortunately, there is a growing tendency toward harmonization of international laws.

If one seeks protection of a trademark defying the territorial nature of intellectual property law, there are various options to carryout registration. The obvious option would be applying for registration of a trademark in every nation where the product is reaching or potential markets. There are also other options available in the current international legal framework of trademarks. Businesses can benefit through different agreements and systems established by states that include the Madrid System, the European Community Trademark System or other bilateral or multilateral agreements.

The substantive aspects of these systems were discussed under the fundamental issues of trademark law in the preceding sections of the paper. The following part of is aimed at giving a gist as to the protection of trademark in the respective system and showing the way a person can benefit from such public international agreements.

10.1 The Community Trademark System

An attempt of harmonization of trademark law in Europe was made by First Council Directive of 21 December 1988 [147] to approximate the laws of the Member States relating to trade marks. The Council Regulation of 26 February2009 on the Community trade mark [148] then took a crucial step forward towards the effort of building a single market in Europe. It can be observed that the CTM

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[145] *Ibid* p. 23

[146] *Ibid* p.21

[147] 89/104/EEC

[148] Regulation (EC) No 207/2009

Regulation and the Directive have a significant number of similar provisions, especially in terms of the requirements for registration and grounds for refusal, the rights and limitations and surrender, revocation and invalidity.[149]

The centerpiece of EC trademark law is the Trademark Regulation, which was adopted in 1993 and entered into force in 1994.[150]

The Office for Harmonization in the Internal Market (OHIM) was established by the CTM Regulation which began accepting and registering trademarks as of 1 January 1996.[151] Under the Trademark Regulation, companies may obtain protection throughout the EC by registering their marks with the Office for Harmonization in the Internal Market. This follows from the principle of supremacy of Community law that the European Court developed in *Costa v. E.N.E.L*.[152] The Community Trademark System does not do away national trademark legislation. The system is analogous to a federal and state dual sovereignty system, the Community regulation having a federal government character and the independent states legal system taking character of states in a federal system, where the two laws adjust to address conflicts and inconsistencies.[153] The OHIM accept trademarks that can have effect throughout the Community and that way national systems remain operative. Bainbridge gave an example to illustrate; ñit may be that a trade mark for which registration as a CTM is sought is similar to an existing national registration in one or more Member States so that the relative grounds of refusal apply. To overcome practical problems of that nature, it is possible to convert an application for a CTM or a registered CTM into an application for a national trade mark, retaining the priority of the CTM or the application for the CTM or, where appropriate, any claim to seniorityò.[154]

The issue of seniority in the CTM System arises when arises when an applicant for a CTM had a prior trademark right in any member state undergoing the process of registration. If the claim of

[149] See Bainbridge *supra note* 7, p. 790

[150] Trademark Regulation No. 40/94, O.J. L 11/1 (1994).

[151] See Bainbridge, *supra note 7,* p.791

[152] *Costa v. ENEL.*, Case 6/641964 E.C.R. 585

[153] See Deborah J. Kemp* and Lynn M. Forsythe, “Trademarks and Geographical Indications: A Case of California Champagne”, *Chapman Law Review* Vol. 10 No.257 p.260-1

[154] See Bainbridge *supra note* 7, p.791, see also Articles 112–114 of the CTM Regulation.

seniority is accepted, it means that the applicant can preserve his prior rights. In other words, it means that after the trademark is accepted in the CTM system, it shall be treated as if it had been registered at the time it was registered in the member state. This holds true even if the applicant subsequent to the national registration, surrendered the trademark right or failed to get it renewed. The rationale behind providing for seniority claim is believed to be the CTM system is designed to complement national systems, not creating an a new system. After a trademark is registered as a CTM, the seniority claim can be used as a relative ground of refusal[155] or a ground for infringement[156] of similar or identical trademarks for similar or identical applied or used after the date of national registration of the senior trademark. One could take this as reason to believe that an application for a national trademark is more advantageous as it can later be surrendered or not renewed without losing its priority in relation to a later CTM.[157]

The CTM possesses a unitary character that have an equal effect on every member of the Community.[158] As regards to the subject of the right, any natural or legal person may be the proprietor of a CTM.[159] By ðlegal personô it may constitute companies, firms, authorities established under public law or other legal bodies as long as they have capacity in their own name and have rights or obligations of all kinds, to make contracts or accomplish other legal acts and sue or be sued under the law governing them.[160]

There are two paths available for interested party to make an application to CTM. It could be done either directly at the OHIM or at the relevant national industrial property office or the Benelux Intellectual Property Office. In the latter two cases, the application should be forwarded to the OHIM, retaining the original filing date as long as it reached the OHIM within two months of the application. The application paper presented should explicitly indicate a request for registration as CTM and should contain information identifying the applicant, a list of goods or services for which registration is sought and a representation of the trade mark. The application should be consistent

155 Article 8(1) of the CTM Regulation

156 Article 9 of the CTM Regulation

157 See Bainbridge, *supra note 7* p. 667

158 Article 2 of the CTM Regulation

159 there used to be a requirement based on nationality or domicile

160 Articles 3&5 of the CTM Regulation

with any condition laid down in The Implementing Regulations and an application fee must be paid within one month.

The OHIM is entrusted with making sure the application has the necessary content, conforms to in The Implementing Regulations and the fee is paid. In addition it carries out an examination as to absolute grounds of refusal. This examination is made by carrying out search among earlier CTMs and earlier applications for CTMs. The search is assisted by national trade mark offices who did volunteer to carry out a search of their registers. Then suspicious cases will be brought together and a search report is produced. The applicant will be made to be acquainted to the report and be given a chance to withdraw the application or choose to restrict the goods or services for which registration is sought. The application is then published to make it available for parties who can make observations or raise opposition. Specifically, proprietors of earlier CTMs or applications for CTM cited in search reports are notified of the act of publication. The right to make an opposition is limited to the proprietor of an earlier trade mark or other earlier right or by licensees. The right to make observation, in contrast, is open to any person who could even be not a party to any proceeding before the OHIM. The observation which is particularly based on the absolute grounds of refusal will be communicated to the applicant.

An opposition based on relative grounds of refusal can be also be made with three months after publication limited to specific persons.[161] Proprietors of earlier trademarks or their licensees could oppose on the ground that the trademark is identical or similar used on identical or similar products likely to create confusion on the basis of Article 8(1) or (5). Proprietors of trade marks where an agent or representative has applied for registration in his own name under Article 8(3) can also make an opposition. Last, proprietors of earlier unregistered trademarks or other signs used in the course of trade under Article 8(4) or persons authorized under national laws to exercise those rights under Article 8(4)). The right holders of this last group can, for instance be proprietors of a famous trademark, or proprietors of other intellectual rights like a geographical indication.

[161] See article 41 of the CTM Regulation

An opposition based upon an earlier mark which is five or more years old can be requested to furnish proof that is has been put to genuine use in the last five years or there are proper reasons for non-use upon the request of the applicant.[162]

Once registered, a CTM remains legal for ten years with the same period of extension upon renewal.[163] The law is silent as to the possibility of restoring a lapsed CTM, unlike some national laws like the UK.[164]

It is possible for an applicant of a CTM to convert his application to a national trademark if the CTM is refused or withdrawn.[165] The merit of this provision is the application to the trademark system of the relevant Member State will retain its priority or seniority when the issue arises

The present CTM System does not comprise a common judiciary. Instead, specially designated courts in the Member States nominally act under the title of ñCommunity Trademark Courtsò, while in fact remaining part of the national judicial system.[166] Article 96 provides for issues these Community trade mark courts have an exclusive jurisdiction over. These are actions for infringement of CTMs(and, where permitted under national law, actions for threatened infringement), actions for declaration of non-infringement if permitted under national law, actions in respect of the period between publication of the application and publication of registration as under Article 9(3), and counterclaims for revocation and invalidity.

10.2 The Madrid System

In the above section, we have seen how a regional integration of trademark system helps persons intending to benefit from a legal protection of trademark escape the rather expensive and time consuming process of applying and registering trademarks in individual states. In the growing global nature of business we have today, the problem would have been aggravated. While the CTM system offers this opportunity to the euro zone, a global integration to the rescue is found within

[162] Article 42(2) of CTM

[163] Article 46 of CTM

[164] See Bainbridge supra note 7, p.801

[165] Article 112 of CTM

[166] See article 95 0f CTM

the Madrid System. In simple terms, with only one application made and one fee paid to the trade mark office, a protection will be granted among all Member States.

The Madrid System comprises the Madrid Agreement of 1891 and the Protocol to the Madrid Agreement, adopted 1989 and which came into force on 1 April 1996. The Madrid System is administered by the World Intellectual Property Organization (WIPO). This Special Union created by the merger of these two bodies of international law is recognized under the Paris Convention for the Protection of Industrial Property.[167]

The application to the Madrid System can be made by any individual or legal entity if the criterion related to domicile is met. An individual applicant must be a domiciliary or national of a country which is party to the Agreement or the Protocol. If the applicant is a legal entity, a real ad effective industrial or commercial establishment in a country party to the Agreement or the Protocol must be shown. An application is made to the Office of Origin in the Contracting Party in which the applicant is domiciled, etc. This Office examines the application and if accepted, it will be recorded in the international register and published in the WIPO *Gazette of Trade Marks*. Each of the Contracting Parties designated are then notified and then given a chance to refuse protection within 12 months after notification. This period could be extended to 12 months if the refusal is based on opposition. If there is no refusal communicated within this period, the application will be deemed registered. This time limitation on Member States to raise their voice of refusal in time or forever hold it is considered to the other advantage of the Madrid System.[168]

The protection of a successfully registered trademark is dependent on the national trademark system for the first five years. This means, for instance, if the trademark is cancelled by a decision of the relevant national court, or if it is surrendered in that particular jurisdiction, the international protection vanishes with it. This so called ñcentral attackò is considered to be one of the limitations of the Madrid System.[169] But, after it passes the first five years, the international protection operates independent form the relevant national system.

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[167] Article 19 of the Paris Convention

[168] See Robert Doerfler *et al, supra note* 36, p. 73

[169] *ibid*

The Madrid system can be characterized as procedural. Since it is primarily aimed at creating an administrative framework facilitating the acquisition of marks in a plurality of countries, it does not deal with the issues of substantive law.[170]

The European Community joined the Madrid Protocol as from 1 October 2004, which elevates the importance of the Madrid System because it is now it is possible to obtain registration of a trade mark as a CTM through the Madrid Protocol.[171]

10.3 The TRIPS Agreement

The role of IP in international trade is an already well established concept. The world is interrelated in trade activities from every corner more than ever. Businesses engaged in trading activities that could cross international boarders have a concern that the intellectual properties attached to their products will be protected in the foreign land. So governments raise this issue as an agenda in bilateral, regional or international trade agreements.[172]

The Uruguay Round Agreements that took place between 1986 and 1994 among the members of the Agreement of Tariffs and Trade (GATT), brought about the conclusion of the *Agreement on Trade Related Aspects of Intellectual Property Rights* (TRIPS)[173]. Signed on April 15, 1994 in Marrakech, Morocco, and came into effect on January 1, 1995

The two main objectives of the conclusion of the TRIPS Agreement is to reduce distortions and impediments to trade and setting up minimum standards of intellectual property protection which had to be implemented into the domestic legal frameworks of each member state of the World Trade Organization (WTO). It is provided under article 1(1) of the agreement that members shall give effect to the provisions of the Agreement and that it is possible for member states to provide for a more extensive protection to IP rights. [174] In effect, had any country wish to stay a member of the WTO or wants to join, adaptation of the basic provisions of the TRIPS into their domestic

[170]See Annette Kur, *supra note* 139, p. 410

[171] See Bainbridge *supra note* 7, p.808

[172] See Burton Ong *supra note* 138, p.3

[173] See Bainbridge *supra note* 7, p.17

[174] See article 1(1) of the TRIPS Agreement

trademark is necessary. in addressing the relationship between TRIPS and domestic legal systems of Members, the agreement does not dictate whether Member States should adopt specific laws to implement it(the so called ñself-executing effectò) or rely on the text of the Agreement as part of the national law(the so called ñdirect effectò).[175]

Some of the substantive laws of trademark include the following;

- Any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, shall be capable of constituting a trademarké .. Where signs are not inherently capable of distinguishing the relevant goods or services, Members may make registrability depend on *distinctiveness acquired through use*. Members may require, as a condition of registration, that signs be visually perceptible.[176]

- Registered trademark owners must have the exclusive right to prevent third parties from making unauthorized use, in the course of trade, of ñidentical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a *likelihood of confusion*. Where the third party uses an identical sign for identical goods or services, a *likelihood of confusion* shall be presumed.ò[177]

- Article 6*bis* of the Paris Convention (1967), which offers additional protection to well-known trademarks, must apply to ñgoods and services which are *not similar* to those in respect of which a trademark is registered, provided that use of that trademark in relation to those goods or services would indicate a *connection* between those goods or services and the owner of the registered trademark and provided that the *interests of the owner of the registered trademark are likely to be damaged* by such use.ò [178]

[175] *Resource Book on TRIPS and Development* UNCTAD-ICTSD 2005, p.17

[176] Article 15 TRIPS Agreement *emphasis added*

[177] Article 16 TRIPS Agreement *emphasis added*

[178] *Ibid* Article 16(2)

- Members may provide limited exceptions to the rights conferred by a trademark, such as *fair use of descriptive terms*, provided that such exceptions take account of the legitimate interests of the owner of the trademark and of third parties.[179]

The TRIPS Agreement has played an important role in global harmonization of domestic intellectual property law regimes around the world using its legal benchmarks.[180] There are continuing debates as to whether the legal standards set by the TRIPS Agreement are too stringent or not demanding enough. But the issue of trademark law has not attracted much level of public interest compared to issues like pharmaceutical patents and public health, copyright and technological protection measures.[181] The reason is believed to be the stakeholders who are most directly affected by changes to laws like trademarks are corporate entities and business enterprises rather than the average man-on-the-street.[182]

11. Trademark Protection in Ethiopia

When we take a look at the legal history of trademark law in Ethiopia, the first legal protection was given Civil Code in 1961, where trademark is only protected under the general provisions of unfair competition together with corresponding provisions under the Commercial Code and the Penal Code. These laws provided for civil and criminal remedies for acts of unfair competition involving trademarks. On institutional basis, the Ministry of Commerce and Industry was mandated to maintain a register of trademarks not for protection trademarks but merely for informatory purposes.[183] There was no statutory definition of trademarks and the protection was not based on registration.[184] So, trademarks were protected by the rules of unfair competition under the Commercial Code of Ethiopia.

[179] Ibid article 17

[180] See Burton Ong supra note138 p.233

[181] *ibid*

[182] *ibid*

[183] *See* Everett F. Goldberg "Protection of Trademarks in Ethiopia*", Journal of Ethiopian Law*, Vol. 8. No.1, 130 (1972), at 133

[184] *ibid*

Based on the stipulation of the Commercial Code of 1961 that the rights of industrial property, which of course includes trademark shall be regulated by special laws[185], the special trademark law presently in force was enacted in 2006.[186] The objective of the proclamation is generally two fold perspectives. The first is, from the side of business persons and the other from the interest of consumers. The reputation and goodwill of business persons is cared for by preventing confusion between similar goods and services[187]. And consumers are equally the concern by preventing such confusion.[188] Generally, the protection of trademarks is expected to bring positive impact on national economic advancement, in particular on the trade and industrial development of the country.[189]

The Proclamation for trademark registration and protection defines trademark as:

ñ any visible sign capable of distinguishing goods or services of one person from those of other persons; it includes words, designs, letters, numerals, colors, or the shape of goods or their packaging or the combinations thereofò[190]

The striking element of this definition of trademark is *any visible sign*. Thus it automatically excludes some unconventional marks like smell, sound etc. this is a narrower definition given to trademarks compared to the TRIPS Agreement, the EC Trade Mark Regulation and Directive and the British 1994 trademark Act etc. As discussed in the previous section, a broader scope is given to trademarks in these instruments as *any sign capable of being represented graphically.*

11.1 Requirements of Eligibility

The requirement of distinctiveness is provided as a criterion for registration of trademarks in Ethiopia. It is provided that any trademark that is capable of clearly distinguishing goods or

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185 *See* Commercial Code, Art.148.

186 *See* Trademark Registration and Protection Proclamation No.501/2006, Federal Negarit Gazeta of the Federal Democratic Republic of Ethiopia, 12th Year, No.37, 2006. [hereinafter cited as, Trademark Proclamation].

187 *See* Trademark Proclamation, Para. 1 of the Preamble.

188 *Ibid*, para 2

189 *Ibid*, para 3

190 See Trademark Proclamation, article 2(12)

services of a person from those of other persons shall be eligible for registration.[191] This requirement of protection indicates that the Ethiopian trademark law is on the same page with the international approach to trademark. Nevertheless, unlike the TRIPS, or the EU trademark law, the requirement of graphical representation is provided together with it. This is probably because the forms of trademarks which create problem with graphical representation i.e. non visual trademarks are excluded from the legal protection. But the part of the proclamation dealing with the procedures of application for registration demands three copies of reproduction of the trademark to be presented.

11.2 Absolute Grounds of Refusal

The following trademarks are considered to inadmissible for legal protection;[192]

1. A trademark which consists of sound or smell;
2. A trademark which is incapable of distinguishing the goods or services of one person from those of other person: such trademarks lack distinctiveness character, which is the center point of function of trademark
3. A trademark that is contrary to public order/morality,
4. A trademark consisting exclusively of sings or indications which designated the kind quality quantity intended purpose, value, geographical origin of goods or services the time of production of the goods or rendering of the services, or other characteristics of the goods or services; such trademarks consist of only generic or descriptive names which naturally does not indicate the origin or source of the products.
5. A trademark consisting exclusively of signs or indications which have become customary in the current language use in relation to the goods or services to which the trademark is attached to. Here again, such marks are perceived to be generic names by the general public which makes the trademark non distinctive.

[191] See Article 5 of the Trademark Proclamation

[192] See Article 6 of the Trademark Proclamation

6. A trademark consisting exclusively of a shape which results from the nature of the good itself or that is necessary to obtain technical result of the good or that gives substantial value to the good.

7. A trademark that is likely to mislead the public or the business community in particular as regards the geographical origin of the goods or services concerned, or their nature or characteristics; such marks could be distinctive but they are illegible because they are deceptive to the consumers. Geographical origin, or the nature and characteristics of the products are factors for consumers to make decisions. If there is a false representation of such attributes of the product within the trademark, such trademarks cannot be registered.

8. A trademark that consists exclusively the surname of the applicant. The reason for illegibility of such marks is their non-distinctive character and to protect the right of other persons with the same name to use it in trading activities.

9. A trademark that consists exclusively the full name of an individual without his consent.

10. Unless authorized by a competent authority, a trademark which is identical with or an imitation of or contains an armorial bearing flag or the emblem, a name or abbreviation or initials of the name of or official sign or hall mark adopted by any state, intergovernmental organization, or other organization created by international conventions

Article 6(2) of the proclamation provides for the possibility of protection of the above stated trademarks denied of protection for the reason that they are non-distinctive, descriptive, or generic terms. They could be admissible for protection if the applicant can show that because of their use, they became well-known in Ethiopia. This provision is similar to the ñsecondary meaningò doctrine discussed in the previous sections.

10.3 Relative Grounds of Refusal

Relative grounds of refusal are used when there is an application for registration of a trademark which affects previously protected rights.[193] Such instances are exhaustively listed under article 7 of the proclamation as follows;

- If an identical mark is used on identical or similar products: in this case, it is the writerôs interpretation that likelihood of confusion is presumed
- If a similar mark is used on identical or similar products in a way that is likely to create confusion
- If an identical or confusingly similar or translations of a trademark used on unrelated goods but the use of the trademark would indicate an association between the goods and its use damages the interest of the owner of the prior trademark.
- If an identical or similar or a translation of a well-known mark used on similar or identical products. This is the advantage of owning a well-known mark that even in cases where the mark is only similar; the owner is not burdened of proving the likelihood of confusion.
- If the mark contains elements which are already protected by other forms of intellectual property rights.

10.4 Procedure of Registration

To get a trademark registered in Ethiopia, an application containing the following elements is required.[194]

1. Full name address and nationality of the applicant(s)
2. Home registration certificate certified up to Ethiopian consular level,
3. When the application for registration is filled through an agent, it shall be accompanied by a duly authenticated power of attorney certified up to Ethiopian consular level.
4. Three copies of reproduction of the trademark,
5. A list of goods & services classified in accordance with the international classification of goods

[193] Article 7, Trade mark Proclamation

[194] See Article 8, Trade mark Proclamation

& services for which registration of the mark is requested and the class numbers of the classification,

6. A document certifying payments of the filing fee

A single application for registration can be used to get only one trademark registered.[195] An application for registration shall cover only one trademark. However the application may contain a list of goods & services classified in accordance with The International Classification of Goods and Services 8th edition.

The Ethiopian Intellectual Property Office is the government body entrusted with the function of accepting applications, making examination as to form and substance to ensure compliance with the law, and issue and registration certificate. The procedure of registration resembles the procedure applied in the Community Trademark System where the role of the Ethiopian Intellectual Property Office mirrors that of the OHIM.

After accepting an application, the Office makes the appropriate examination to make sure none of the absolute grounds of refusal are applicable and the application does not conflict with the existing record of registered trademarks.[196] Then, it shall publish a notice of invitation in the intellectual property gazette for opposition regarding registration of the trademark.[197] The period of publication is for 30 days. During this period the applicant enjoys a seniority right from the day of application if the trademark later gets registered.[198] If the application faces no opposition or if successfully refuted, registration certificate will be issued by the Ethiopian Intellectual Property Office.[199]

10.5 Protection of Trademarks

The Ethiopian trademark law protects the rights of an owner by enabling him to exploit his rights and banning third parties from infringing his property rights. The owner has the right to use the

[195] See Article 8(2), Trade mark Proclamation

[196] See Article 11, Trade mark Proclamation

[197] See Article 12, Trade mark Proclamation

[198]See Article 14, Trade mark Proclamation

[199] See Article 15, Trade mark Proclamation

trademark himself[200], or transfer his rights by way of assignment or authorize others to use it by way of licensing. [201], The proprietor of a registered trademark has also the right to file a suit for infringement of his rights and obtain injunction, compensation or criminal prosecution.[202] The Ethiopian Trademark System recognizes and gives protection to collective trademarks and well-known trademarks in terms consistent with the international perspective.

II. Geographical Indications

1. Introduction to Geographical Indications

Traditionally, the term geographical indication has been used predominantly to define names that identify agricultural or other products as originating from the specific regions in which these products are grown and manufactured, and from which they derive their qualities or reputation. [203]The history of using GIs is recorded to be dating back to the period of ancient Greece and Egyptian civilization. In ancient Egypt Brick-makers used to indicate the origin related quality of their bricks and stones with which pyramids were made.[204] In ancient Greece, GIs was used as signs of quality for wine from the island of Thasos.[205] The use of GIs such as Parmigiano or Comté dates back to the 13th century.[206] Increased attention to GIs is, however, a recent phenomenon, driven partly by globalization and the introduction of the TRIPS Agreement under the WTO.

A geographical indication identifies that the product comes from a specific region or territory and usually will also identify some quality attributable to that territory.[207] In this sense, there are

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[200] See Article 26, Trade mark Proclamation

[201] See Article 28, Trademark Proclamation

[202] See Articles 39, 40 &41, Trademark Proclamation

[203] *See* Felix Addor and Alexandra Grazioli, "Geographical Indications Beyond Wines and Spirits: A Roadmap for Better Protection for Geographical Indications in the WTO/TRIPs Agreement", *J. World Intell. Prop*. Vol 5 No. 865 (2002), p. 869

[204] U. Grote, "Environmental Labeling, Protected Geographical Indications and the Interests of Developing Countries", *Estey Centre Journal of International Law and Trade Policy* Vol 10 No.1 p.96

[205] *ibid*

[206] *Ibid* cited van de Kop., P, D. Sautier, and A. Gerz (eds.). 2006. *Origin-based Products. Lessons for Pro-poor Market Development.* Royal Tropical Institute – CIRAD, Bulletin

[207] McCarthy, *supra note* 4 p. 50

different terminologies used to refer to the concept which include the so-called ñappellationsò or ñindicationsò of origin.[208]. In this regard, it has been commented that ñIndication of Source" refers to a word, symbol, or device that indicates that a product originates in a specific geographic region and "Appellation of Origin" refers to a word, symbol, or device that indicates that a product originates in a specific geographic region only when the characteristic qualities are due to the geographical environment, including natural and human factors.[209] And it has been suggested GI include both of the above concepts.[210] The difference between definitions of ñappellation of origin and ñindication of origin will be discussed later in the chapterôs part dealing with, the Lisbon Agreement and TRIPS Agreement respectively.

The TRIPS Agreement defines Geographical Indication as, ñindications 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 originò.

The special characteristics that a specific geographic origin bestows upon particular products grown or produced there, what is commonly known as terroir, is a distinctive feature of GIs.[211] Relaying on place as a base of GI is troublesome in the contemporary world we are living in. This is because, as contemporary geographers know that place has always been fundamentally unreliable: mercurial, seditious and recalcitrant.[212] ñThe rural sociologist Elizabeth Barham has argued that the concept of terroir that underpins the operation of systems of Geographical Indications, and which idealizes the relationship between individuals and the specific geo-physical and cultural milieu in which they coexist, órelates to a time of much less spatial mobility, when change occurred at a slower pace . . . when terroir products resulted from long occupation of the

[208] *Ibid* p. 867

[209]See Charlie Fu, "Geographical Indications in Multinational Agreements" *The Journal of Contemporary Legal Issues* Vol. 19:451 (2010) p. 452

[210] *ibid*

[211] Justin Hughes, "Champagne, Feta, and Bourbon: The Spirited Debate About Geographical Indications", *Hastings Law Journal V.58, No.299, 2006, p.301*

[212] Bronwyn Parry, *Geographical Indications: not all 'champagne and roses'* in Lionel Bently, Jennifer Davis& Jane C. Ginsburg(edts), Trade Marks and Brands An Interdisciplinary Critique, 2008,p. 366

same area and represented the interplay of human ingenuity and curiosity with the natural givens of placeôõ.[213]

There are two different views about place under the conception of GI. The first advocate its association to bio-physical elements like soil, micro climate, geology, which is a more defensible position given the relative stability and incontrovertibly linked to specific places.[214] Others add further aspects of production and localized techniques of manufacture that are óorganicallyô found as a result of the special relationship between the people and the physical environment.[215]

2. Geographical Indications Vs Trademark

To offer a general introduction to geographical indication, it is helpful to make some comparison with trademark because the two concepts are not very far from each other.

Trademark can be used as an indicator of both source and quality. It indicates the source of the product and it is an intangible business asset for the reason that consumers associate the origin to a certain quality. This is a character that geographical indication shares with trademark.[216] However, one point of distinction is unlike trademark a GI does not identify a single commercial origin. Where trademarks are specific as to the particular of a product or service, geographical indications identify the place of origin of a good and the characteristics that are derived from that geographic origin.[217]

The protection of geographical indications started with the protection against misleading use.[218] As a matter of fact, distinguishing products for consumers and vis-à-vis competitors is the common

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213 *ibid*

214 *Ibid* p. 307

215 *ibid*

216 See Charlie Fu *supra note* 207 p.451

217 Lennart Schüβler, "Protecting 'Single-Origin Coffee' within the Global Coffee Market: The Role of Geographical Indications and Trademarks" *Estey Centre Journal of International Law and Trade Policy* Vol 10 No. 1 (2009) p.154

218 Christopher Heath, Geographical Indications: International, Bilateral and Regional Agreements in (edts) Christopher Heath and Anselm Kamperman Sanders, *New Frontiers of Intellectual Property Law IP and Cultural Heritage – Geographical Indications –Enforcement – Overprotection* (2005) p.97

purpose of geographical indications and trademarks.[219] The principal economic rationales behind both concepts are the protection of goodwill against free riding by third parties and the reduction of consumer search costs.[220]

Trademark protection for geographical indications is also denied in case of misleading use. But the striking difference with GI is trademark protection is denied in cases of descriptive use. This is so because a descriptive trade mark cannot confer an origin. However a descriptive GI can be used without causing confusion or mislead towards consumers. ñFurther, trade mark law is not only concerned with actual, but also with potential conflicts. Registration can be denied not only if the place is currently not associated with certain goods or services, but also if this could be the case in the future. Finally, public interest might require denying proprietary protection by registration for one single enterprise, where (non-misleading) use in commerce is completely permissible. In fact, the argument that registration of a geographical indication should be denied because other undertakings might have a legitimate interest in using this indication already presumes that such use by other undertakings is lawful.ò[221]

The issue of ownership also differentiates GIs form trademarks. Trademarks can be owned by persons or individual enterprises. They are personal properties while GIs are collectively owned by the producers who have the right to use them, due to their location in the relevant geographic area.[222] GIs may not be personal but they are exclusive in the sense that only persons in the relevant geographic area have the right to use them. The use of a GI outside the geographic area would automatically be considered deceptive. In other words, GIs cannot be licensed or otherwise transferred.[223] This nature of GI is the reason why there exists conflicting arguments as to the proprietary nature of GIs. The argument against the categorization of GIs under the IPRs regime is based on this unique nature of right over GIs which does not grant the right to dispose, unlike

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[219] See U. Grote *supra note* 202

[220] *Ibid*, cited Compare *WIPO* – International Bureau, Economic Importance of Trademarks and Geographical Indications and Their Use in Commerce, WIPO National Seminar on the Protection of Trademarks and Geographical Indications, Beirut, 17 to 19 March 2003, WIPO/TM/BEY/03/3.

[221] *ibid*

[222] Ibele, *supra note* 5 p. 45

[223] *ibid*

other IPRs which involve transferability and licensing. Consequently, the proponents of the argument rather consider GIs as a subject matter of unfair competition law as opposed to intellectual property law. It is also argued that GI lies on the borderline between competition law and intellectual property because of its features that partly overlap both areas.

The term of use of trademark is limited upon the existence of the owner enterprise and its usage. If the owner enterprise ceases to exist as it is upon registration be it as a result of dissolution, merger or acquisition, or bankruptcy, the right over the trademark expires unless it is transferred to a successor enterprise.[224] A trademark can also expire as a result of non-use in commerce. GIs by contrast are essentially everlasting. What matters is the geographic place of origin remains in place with the soil, climate, flora, human knowledge and other features of the place that impart special qualities to products produced there.[225] If this continues to exist, the GI stays legal.

3. Geographical Indication Vs Environmental Labeling

Environmental Labeling is a marketing strategy that shares some features with the concept of GI. ñEnvironmental labeling is generally defined as the practice of providing information to consumers about a product that is characterized by improved environmental performance compared with similar productsò.[226] The information offered by Environmental Labeling ranges from the fact that the food product is free from pesticides to the description of a whole life cycle, including the production and process methods.[227]

GIs and Labels possess common economic rationales namely protection against third party free riding, reduction of transaction cost related to search for consumers and perfecting market by providing necessary information.[228] The first point of distinction is GIs clearly refer to the place of origin while labeled products can be produced anywhere. Second, GIs are granted for products that have a well-known quality among consumers. Besides, the quality and reputation of the

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[224] *Ibid* p.46

[225] *ibid*

[226]See U. Grote *supra note* 202 p. 96

[227]See generally, Basu, A. K., N. H. Chau, and U. Grote,(2003) " Eco-labeling and Stages of Development" *Review of Development Economics*, Vol 7 No.2 p. 228-247

[228]See U. Grote *supra note* 202 13 p.99

product must be associated to a certain geographic place. Hence a product protected by GI must be different form similar goods from other places. A label, on the other hand, is granted if the quality or environmental friendliness of a product is to be increased and/or ensured over time.[229] The same label can be applied in different regions of a country and in different countries. Third, labeling systems are often initiated and owned by the private sector, whereas GIs are mainly considered a public right and are owned by the state or a parastatal entity. And last, labels are often subject to renewal and can be transferred to third parties. GIs, on the other hand, are continuous as long as the conditions at the place of origin do not change and, cannot be sold or licensed to third parties.

There are reasons to believe that GIs provide stronger protection than conventional environmental labels. GIs provide long-term benefits due to their long-term duration. Although both create a chance for increasing market access, GIs specially offer the possibility to establish niche markets.[230] They are assumed to play additional roles as rural development tools and as protectors of traditional and indigenous knowledge as a public good. Benefits are expected to arise for the region, since labour and other production factors are retained in the geographical area. Furthermore, GIs are considered to be conservation tools for biodiversity and promoters for tourism.[231] In general, if GIs are effectively managed, it gives an opportunity for companies to use their intellectual property assets to improve their competitiveness and strategic advantage.

4. The Nature of GIs in Law

The concept of GI is globally divided and its nature is somewhat at odds with that of other types of intellectual property rights. The issue of protection for GIs cuts across the North-South/developed countryï developing country division.[232] ñOne such division separates countries and regions whose laws and regulatory systems/procedures treat GIs as *sui generis*, a distinct category of industrial or intellectual property separate from trademarks, which GIs closely

[229] *ibid*

[230]See *Ibid*, p. 101

[231] See Basu supra note223 p.101

[232]See Erik W. *supra note* 220, p.37

resemble, and those whose legal systems treat GIs as a subset of trademarks.ö[233] Both clusters of protection of GI will be discussed below.

4.1 The *Sui Generis* Treatment

In many countries, GIs are considered as one type of intellectual property right distinct from the regime of trademark law.[234] There is a whole separate body of law recognizing and protecting GI.[235] The TRIPS Agreement and the EU system of GI registration and protection established by Council Regulation 510/2006 (the Origin Regulation), are good examples that take this approach. The main features of these systems will be dealt in the next section of the chapter.

4.2 GI Protection as Trademark

A number of countries, including Australia, Canada and the United States, take the approach where GIs are treated as a subset of trademark system. The US for instance took a position against strong protection of GI during the negotiation for TRIPS Agreement unlike the positions taken by European countries. This opposition stems from the lesser GIs owned by the US in contrast to its counterpart, the European nations.

In such systems, GIs are registered according to the same procedures that apply to trademarks and disputes will be adjudicated under the trademark system.[236]

For instance, the US Trademark Act does not mention GI at all.[237] But, there are two categories of marks provided under which the element of the essence of geographical indication can be found. These are certification marks and collective marks. A certification mark is

é any word, name, symbol or device, or any combination thereof

(1) used by a person other than its owner,é é

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[233] *ibid*

[234] *Ibid* p. 39

[235] *ibid*

[236] *ibid*

[237] Lanham Act (1946), 15 U.S.C. 1051

(2) é to certify regional or other origin, material, mode of manufacture, quality, accuracy, or other characteristics of such personôs goods é ò

A collective mark is

é a trademark é

(1) used by the members of a cooperative, an association, or other collective group or organization é

The Canadian Trade-marks Act, R.S.C. 1985, c.T-13, contains a similar definition of certification mark. The Trade-marks Act also defines ñgeographical indicationò in terms similar to TRIPS Article 22, which is restricted to protection given to wines and spirits.

The flaw of this approach is that the letters of the law does not define the nature of GI and practically, there is little jurisprudence to explore.[238]

5. The Rationale Behind GI Protection

The most explicit statement as to the policy rationale behind a legal protection of GI is found in the preamble to the EU Origin Regulation. The Council Regulation 510/2006 sets forth 19 recitals or statements of principle, which collectively express the policy rationale for the protection of GIs. Amongst them recitals (2), (3) and (4) provide for the substantive rationale for GI and are stated below.

(2) The diversification of agricultural production should be encouraged so as to achieve a better balance between supply and demand on the markets. The promotion of products having certain characteristics can be of considerable benefit to the rural economy, particularly in less-favored or remote areas, by improving the incomes of farmers and by retaining the rural population in these areas.

(3) A constantly increasing number of consumers attach greater importance to the quality of foodstuffs in their diet rather than to quantity. This quest for specific products generates a demand for agricultural products or foodstuffs with an identifiable geographical origin.

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[238] See Erik W. *supra note* 220 p. 43

(4) In view of the wide variety of products marketed and the abundance of product information provided, the consumer should, in order to be able to make the best choices, be given clear and succinct information regarding the product origin.

The recitals reflect a considerable range of potential functions that can be performed by GI. The advantages of GI protection are recognized in areas including market rationalization, rural agricultural income support and consumer information

The jurisprudence of nonï *sui generis* systems seems to focus exclusively on the informational rationale for GIs.[239] For instance, the U.S. Trademark Act expresses the function of GIs briefly and directly. The Trademark Actôs definition of ñcertification markò states that such marks certify geographic origin, or satisfaction of certain standards relating to the quality of materials or mode of manufacture.[240] ñThe function of certification marks/GIs in U.S. law thus seems to be essentially synonymous with their nature; that is, they function as indicators of source and other information.ò[241]

While the above mentioned rationales focus on economic point of view, there are also non-economic goals expected to be achieved using GIs. One of these reasons is that the legal protection of GIs can be used as a tool for the protection of traditional/indigenous knowledge, which is useful for the development of science and promotion of bioscience, biotechnology, food security and human health.[242]

6. Protection of Geographical Indications in Ethiopia

Currently, almost all forms of IPRs common in other jurisdictions are protected by specific laws in Ethiopia. Unfortunately, that is not the case for GIs. According to the interview made at the Ethiopian Intellectual Property Office (EIPO) by the writer, the draft law of GI has been prepared

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239 Ibid p.45

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241 See Erik W.supra note 220 p.45

242 Maria Fernanda Espinosa, The French Model for Protecting Traditional Knowledge: Innovation, Creativity and Challenge, in Biodiversity and Local Ecological Knowledge in France, 2005, at 249

and is being ready to carryout public discussions before presenting it to the Parliament. This section briefly discusses the existing legal regimes for the protection of GIs in Ethiopia.

6.1 Protection of GI Under the Trademark Law Regime

The trademark law recognizes ordinary trademarks and collective trademarks. The ordinary trademarks are meant to those marks that can be used by a single person. The collective trademarks, on the other hand, are those trademarks that can be owned by not single persons but associations. A *collective trademark* is defined under Art.2 (1) as ña *trademark distinguishing* the goods or services of members of an associationé   from those of other undertakings.ò One may arguably conclude that the collective trademarks category is capable of encompassing protection to GIs. If it is possible to use names that are not actual geographic name as a GI, like permitted under the TRIPS Agreement, a GI can pass the requirement that a trademark should not be a generic name. In addition, if such GI is capable of indicating the source of the product among consumers, it can fall under the protection of collective trademarks under the trademark regime. In other words, if the trademark of the GI has already acquired a secondary meaning by the time it is applies for registration, it could be registered as a collective trademark.[243] This interpretation is, in fact, used to protect GIs in countries where non *sui generis* treatment is given, as discussed in the above section.

Although this system might save GI from being completely left out, it does not satisfactorily protect GIs.[244] The first reason is attributes of the product that comes from the geographical place which is the overall value added and inherently protected by GI has no place in the Trademark Law Regime. ñThus, unless the definition itself is revisited in order to encompass most GIs, the collective trademarks under the law largely serve the function of ordinary trademarks in a collective manner.ò[245] The other reason is the requirement of distinctiveness of ordinary trademarks is present for collective trademarks. Most GIs consist of a geographic name which is generic by nature lacks this element. So most GIs, with huge intangible business asset are left

[243] Article 6(2) of the Trademark Proclamation provides that the requirement of distinctiveness may not bar registration if the trademark is well known in Ethiopia

[244]Hirko, Sileshi Bedasie; The Legal Protection of Geographical Indications in Ethiopia *MIPLC Master Thesis (2010/11)* http://www.miplc.de/research/ Available at SSRN: http://ssrn.com/abstract=2135428 p. 28

[245] *ibid*

unprotected by this regime. The use of geographical names could be considered generic which seems to be why Art. 6(1) (e) of the Proclamation provides that a trademark shall not be admissible for registration where the trademark consists ñexclusively of signs or indications which designateé geographical origin of goods.ò Such indications will be rejected ex-officio by the Ethiopian Intellectual Property Office (EIPO) upon examination or, if registered mistakenly, it will be cancelled subsequently by the office.[246]

ñIn view of the purpose of GIs to counter deceptive practices against the public, Art. 6(1) (h) of the Trademark Proclamation is of paramount importance and it can form part of the relevant legal regime for protection of GIs.ò[247] It is provided under the provision that any trademark applied will be rejected if it has the potential to mislead the public as to the geographical origin of the product. This gives protection to a previously registered collective trademark which serves as an indication of geographical origin. Also, it indirectly protects unregistered GIs on the basis of public deception by preventing registration of a trademark. This is a typical instance for a legal protection of unregistered GIs under the Trademark Proclamation essentially on the basis of unfair competition.

When it comes to enforcement of GI rights under this regime, the various acts constituting infringement of ordinary trademarks are equally applicable for the infringement of GIs, which are essentially protected as collective trademarks.

6.2. Protection of GI under Unfair Competition Law

The Law of Unfair Competition is the other regime where protection to GIs in Ethiopia could be found. The unfair competition law had for long only been present among few scattered provisions in various codes. But after the coming into force of the Trade Practice and Consumersô Protection Proclamation in 2003 (and as amended in 2010)[248], it came as one form of law regulating commerce among laws dealing with anti-competitive practices, abuse of dominance and other

[246] *See* Trademark Proclamation, Arts. 11 and 36(1).

[247] See Sileshi Supra note 241 , p.29

[248]*See* Trade Practice and Consumers' Protection Proclamation No. 685/2010, Federal Negarit Gazeta of the Federal Democratic Republic of Ethiopia, 16th Year, No.49, 2010, [hereinafter, Trade Practice Proclamation].

miscellaneous conduct as unfair trade practices. In addition, there are some relevant provisions in the Civil and Commercial Codes.

Article 133 of the Commercial Code deems ñacts contrary to honest commercial practiceò to be unfair competition and provides for some instances in unrestrictive manner. Sileshi argues that, ña false use of indications of geographical origin of the goods falls within the ambit of the general definition of acts of unfair competition, where the use is liable to mislead the public as to the true geographical origin of the goods in the strict sense of GIs or as to the commercial origin of the goods.ò[249]

The Trade Practice Proclamation also has enumerative lists of acts of unfair competition under Art. 30. Its sub article 1(11) and (15) illustrates misleading or false acts concerning the source or country of origin of the goods, or deceptive acts in transaction of goods as an unfair competition. Such false act concerning the source of the good could be either commercial origin or geographic origin.

The Civil Code, particularly the extra-contractual liability section has an importance in protection of GIs as well. Sileshi associates this with the relevant provisions of the Civil Code and Commercial Code to reach to the conclusion that GI could be protected by the extra-contractual liability law like this. ñArt. 2057 of the Civil Code defining civil unfair competition requires the infringerôs act to be contrary to ñ*good faith.*ò This traces back to Art.132 of the Commercial Code, which indicates the fact that unfair competition is a type of liability based on fault. Hence, the deceptive use of GIs in a manner contrary to good faith can be a ground for a person claiming to be the user of GIs to indicate the true geographical origin of the goodsò[250]

The Criminal Code also has some level of protection afforded for GIs. Art.720 of the Code can be the relevant legal regime for intentional acts of infringement, imitation or passing off committed in such a manner as to deceive the public about the declaration of origin on any produce or goods or their packing, whether industrial or agricultural. It is crucial to note here that this code explicitly

[249] See Sileshi Supra note 241 p.33

[250] *Ibid* p. 34

refers to "*declaration of origin of goods*" and the common law tort of "*passing off,*" both of which are not mentioned under the Civil and Commercial Code.

Though there are such interpretations for GI protection under unfair competition law in Ethiopia, it is less promising for the de facto owners of a GI because it does not grant any property right, unlike the trademark law regime. Hence, the protection under unfair competition could help in supplementing other regimes but is not consistent with the notion of GIs under the TRIPs Agreement.

7. International Legal Framework of Geographical Indications

7.1 The Paris Convention 1883

The Paris Convention signed in 1883 has lists of objects of protection as an industrial property. And geographical indication is included. Though the Convention did not define geographical indication, Article 1 refers to it as "indications of source or appellations of origin", which is considered as a broad definition of the subject matter.[251] The merit of the convention regarding international protection of geographical indications is at least the national treatment principle under Article 2 is applied to the Convention's objects of protection could thus be given to geographical indication. This means, a national of any of the Member States is granted protection of geographical indication to the extent the national law of any other Member State permits.

Article 10 of the Convention, deals with use of false indication of origin. In the course of negotiations, an absolute prohibition of false indication of origin was proposed but it faced opposition.[252] Instead, a false indication of origin used as a trade name of a fictitious character or used with fraudulent intention had been prohibited.

Article 10 reads as follows:

"The provisions of the preceding article shall be applicable to any product bearing falsely as an indication of origin the name of a locality or of a determined country, when the indication is joined to a fictitious commercial name or a name borrowed with fraudulent intention. There shall be in

[251] See Heath *supra note* 214 p.97

[252] ibid

any case recognized as an interested party, whether it be a natural or juristic person, any producer, manufacturer or trader of such product either in the locality falsely indicated as place of origin or in the region where such locality is situated or in the country falsely indicated.ò

It is important to note that the provision prohibits ófalseô uses not ómisleadingô uses of indication of origin. Article 9 provides for sanctions for infringement which include seizure upon importation, prohibition of importation, or seizure within the country. Over the years, these remedies were not proved very efficient.[253]

7.2 The Madrid Arrangement of 1891

After the Paris Convention came into force, there were multiple attempts made to strengthen the protection of geographical indication. At the Rome Conference in 1886, amendments to Article 10 of the Paris convention was made but never ratified by the member states.[254] Then again, proposals to strengthen the protection of geographical indications were made at the Madrid Conference 1890. Among them, one proposal was to specify that indication which had become generic or descriptive should be excluded from protection.[255] A proposal negating this was proposed by Portugal claiming that indication which had become generic should be protected given the reputation of an indication was based on the special conditions of soil and climate and any imitation of such indication should be prohibited.[256] The French proposed this should be applicable only to products of the vine. Finally, the Madrid Arrangement Concerning the Prevention of False or Misleading Indications of Source was signed in 1890 which add a new scope to article 10 of the Paris Convention. It provided that although indications which are deemed generic in domestic context were excluded from the ambit of protection, no such exclusion was to be applied to appellations of wine and wine-related products.[257] In this respect, the Arrangement, on some level recognizes a proprietary protection of geographical indications.

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[253] *Ibid* p.98

[254] *ibid*

[255] *ibid*

[256] *ibid*

[257] See Article 4, Madrid Arrangement Concerning the Prevention of False or Misleading Indications of Source 1890

The Revision Conference on the Madrid Arrangement held in London in1934, introduced protection of geographical indication against passing-off.[258] In effect, the Madrid Arrangement had been enhanced to prohibit not only ófalseô indications, but also ómisleadingô ones. In this setting, the protection given to GIs by the Arrangement can be summarized as follows

- Goods bearing a false or deceptive indications related to a member state shall not be protected and be seized upon importation

-any member state can refuse protection to those indications that have become generic or descriptive in that particular country. But this rule may not be applied for indications relating to wine or wine products. Such products shall not be denied protection even though the public deems their geographic indication generic or descriptive.

The Arrangement also protects against the use of false or misleading ñindirectò indications, with such additions as ñsystemò, ñtypeò, or the like.

The weakness of this Arrangement is the condition where the tribunal of any country may decide that an appellation of origin has become generic. It has been criticized that it creates insecurity and contradiction.[259] The situation that could be created is an appellation of origin not protected by a legal system of a certain country may not be used by producers or manufacturers of such country and yet may be used freely by producers or manufacturers in another contracting country. Attempts to revise this provision at successive conferences had failed. These unsuccessful proposals to limit competence of national courts generally focused on; one, declaring tribunals incompetent to decide whether an indication of origin be generic or not and two, is setting up a system whereby protection was not decided by the member whose indication was the object of a dispute, but by the member from which the indication originated.[260] These two points are crucial because they served as motives for concluding the Lisbon Agreement, which will be discussed below.

[258] See Heath *supra note* 214 p.99

[259] *ibid*

[260] *ibid*

7.3 The Lisbon Agreement for the Protection of Appellations of Origin 1958

The Lisbon Agreement for the Protection of Appellations of Origin came into force in 1966 with the original member states of Cuba, Czechoslovakia, France, Haiti, Israel, Mexico and Portugal and later acceded by various countries.[261]

One of the characteristics of the Lisbon Agreement is its relative limited definition given to geographical indication compared to the aforementioned agreements. The relevant section of article 2 of the agreement reads,

ñIn this Agreement, "appellation of origin" means the geographical denomination of a country, region, or locality, which serves to designate a product originating therein, the quality or characteristics of which are due exclusively or essentially to the geographical environment, including natural and human factorsò

In this respect there are two main advancements. The first is it excludes all geographical indications for industrial products from protection. The second point is distinction is no longer made between wine products and other agricultural products, as was the case in the Madrid Arrangement. At the same conference, in Lisbon 1958, enhanced protection against the misleading use of all geographical indications without discrimination was granted.[262]

The other advancement brought by the Lisbon Agreement is the form of protection given to appellations of origin. Unlike the Madrid Agreement and the Paris Convention that only used the general rules of unfair competition law, the protection under the Lisbon Agreement was of proprietary nature.

ñEvery member state of the Paris Convention that also adheres to the agreement undertakes to protect in its own territory all appellations of origin of other member states for those products registered on the express condition that protection is also afforded in the home countries. The

[261] *Ibid* p.100

[262] Article 3, Lisbon Agreement for the Protection of Appellations of Origin and their International Registration of October 31, 1958[herein after referred as Lisbon Agreement]

expression ó qualifiedô means that the right of an appellation of origin first of all needs to be recognized in the country of origin. The agreement thereby imposes on all member states a uniform set of rules, yet without separating this from national rules . . . Registration of an appellation of origin under the agreement can only be demanded by the country of origin. . . . Protection must thus be granted against all attacks of the exclusive rights given to those entitled to use the appellation, be it against the unlawful use . . ., be it against the fraudulent imitation of an appellation.ò[263]

7.3.1 Procedure for Registration

Article 5 of the Agreement provides for the procedure for registration in detail. The fact that governments of member states, not individuals or business entities are the subjects who can make an application of registration under the agreement can be drawn from the reading of sub section 1 of article 5. The application by a member state has to be addressed to the International Bureau of the World Intellectual Property Organization (WIPO) in Geneva and meet with certain formality requirements. The application has to specify the applying country, the application date, who is entitled to use the appellation, the product and product classification for which the appellation is used, the area of production and the provisions or decisions on which domestic registration is based. Once the application is made fulfilling the formality requirements, the International Bureau will published so that member states could have a chance to get themselves acquainted and scrutinize the application.

The member statesô right to refuse the appellation has two conditions.[264] First, the procedure of scrutinizing the application and should be carried out by an administrative body of the government, not by courts or tribunals and refusal should be accompanied by an indication of the grounds. And second, opposition can only be made within a year after the application is published.

If there is no refusal declared in the prescribed period of time, an appellation of origin duly registered with the International Bureau is afforded protection in all other member states without any limitations. In situations where an appellation afforded protection in the other member states has already been used by third parties in a member state prior to the date of international

[263] See Heath *supra note* 214 p.102 cited Actes de la Conference du Lisbonne 1958, Geneva 1963, 814/815.

[264] Article 5(3)&(4) of the Lisbon Agreement

registration, the administration in this member state has the possibility of granting these third parties a period of up to two years to discontinue use.[265]

When we see the practice of notification of refusal given by member states, the following is reported by WIPO,

ñSixty-two refusals of protection, concerning 51 international registrations, have been entered in the national register. The grounds most frequently given for refusal by the authorities of the contracting countries are that the appellation of origin for which registration is sought conflicts with an earlier mark that is protected in the country concerned.ò[266]

Though this is the general procedure provided by the Lisbon Agreement, there are some of issues that are a bit controversial and require some level of interpretation. These will be discussed below.

(a). the name of the geographical indication

Article 2 of the agreement mentioned that geographical denomination of a country, region, or locality, which serves to designate a product originating therein can be used as an appellation of origin, a question has emerged to what extent the application as such may also contain equivalent translations in other languages. It is mentioned under article 3 thatò Protection shall be ensured against any usurpation or imitation,é .. or if the appellation is used in translated formé) WIPO in this regards mentions that,

ñé .Article 3 of the Agreement means that an appellation of origin contained in an international registration is protected against any use in translation, even if that translation is not referred to in the international registration. Consequently, it is suggested that it should only be possible for the indication of the appellation of origin, as referred to in Rule 1(2)(iv) of the Regulations to be provided in the official language or languages of the country of origin. Nevertheless, it is undeniable that the translation of the name of the appellation of origin may constitute useful information for users of the Lisbon system and for third parties in general, particularly where the translation differs considerably from one language to another. In order to maintain such

[265] *Ibid* Article 5(6)

[266] WIPO document LI-GT/1/2 of 10 May 2000.

information in the framework of an international registration, the Regulations could provide the possibility for requesting authorities to furnish one or more translations of the appellation of origin, not as part of the indication of the appellation of origin as referred to in Rule 1(2)(iv), but as additional (optional) information. Such translations would appear under a separate heading on the application form. They would in no way be checked by the International Bureau.ò[267]

The Regulation seems to find this suggestion important that in Rule 5 now distinguishes between mandatory contents and optional contents. Under the mandatory contents, (iii) now mentions ñthe appellation of origin for which registration is sought, in the official language of the country of origin or, where the country of origin has more than one official language, in one or more of those official languages.ò Under subsection (3)(ii), it is optional to furnish ñone or more translations of the appellation of origin, in as many languages as the competent authority of the country or origin wishes.ò[268]

In several cases the issue of what can be considered a translation has come up. In the Portuguese Budweiser case, the Supreme Court held as follows:

ñ. . . This can be understood to the effect that each location may be called by more than one name, without this necessarily meaning that they are synonyms. One should, for example, call attention to the Ilhas Malvinas or the Falklands, respectively. To say that one geographical designation is a translation of another designation of the same region can mean nothing less than they are treated as synonymous expressions. What is of interest here is to take into account that the expressions simply designate the same region, or that some of these expressions may now no longer be officially used.ò[269]

Again in a Budweiser case, the New Zealand Court of Appeal reached the opposite conclusion:

[267] *ibid*

[268] See Heath *supra note* 214 p.106

[269] Portuguese Supreme Court, 23 January 2001, 34 IIC 682, 683 (2003) – "Budweiser III".

ñContrary to claims throughout the evidence that óBudweiserô is a translation of Budejovicky, it is not. It is another name for the same place used by people who speak a different language. It is no more a translation than Aotearoa is a translation of New Zealand.ò[270]

Christopher Heath argues that ñThe view taken by the New Zealand Appeal Court is perhaps a misunderstanding on what is meant by translation. The Falklands are no more or no less a translation of the Malvinas than Aotearoa is of New Zealand. Yet a translation is exactly meant to confer the same meaning into another language, and this is exactly what these different expressions do. Linguistically speaking, the German Neuseeland might be a translation of ñNew Zealandò, while Aix-en-Chapelle is not a translation of the German town of Aachen. Rather, Aachen is a vulgarisation of Aix. And St. Petersburg is definitely not a translation of Leningrad (nor vice versa), yet there should be little doubt that protection should apply to both, and due regard should be taken of the right ownerôs interest to use the name that in the language of the public of a certain area is the more common one.ò

(b) Entities entitled to use the appellation

The Lisbon Agreement as such in Art. 5(1) mentions that ñThe registration of appellations of origin shall be effected . . . in the name of any natural persons or legal entities, public or private, having, according to their national legislation, the right to use such appellations.ò This requirement raises the question does it mean that it literally demands the actual names of the natural persons who will be the owners or the right? There are courts who answered this issue affirmative.

Art.5(1) Lisbon Agreement has to be read together with Art. 5(4) of the old Regulations. This provision requires a new international registration for ñmodifications relating to the country of origin, the owners, the appellation of origin or the product to which it applies.ò So if we requiring all the names of people entitled to the right over the appellation of origin be submitted then whenever one person is no more an owner of the right, then a new registration is going to be needed. In situations where there are huge numbers of individual owners, the problem will be more vivid. As Heath puts it, ñé this is neither practical nor could it have been the intention of the

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[270] New Zealand High Court, *Anheuser-Busch v. Budweiser Budvar National Corporation*, 19 September 2002, paragraph 16.

Agreement. The purpose of the Agreement was to ensure that those entitled to production were *identifiable* rather than *identified*ò.[271]

The new Rule 5(2)(ii) now requires indication of ñthe holder or holders of the right to use the appellation of origin, designated collectively or, where collective designation is not possible, by name.

7.3.2. Scope of Protection

(a)Appellations deemed generic

It can be recalled from the above discussion concerning the Madrid Agreement that it provides that except for wine products; other appellations of origin can be refused protection after registration for a ground that they become generic. The Lisbon Agreement went one step further for protecting all appellations of origin and not just wine products. Article 6 of the agreement reads as,

ñAn appellation which has been granted protection in one of the countries of the Special Union pursuant to the procedure under Article 5 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.ò

Member states may be tempted to refuse protection to an appellation of origin even after the one year period of declaration of such intention has passed. So the Agreement provided such a tight and clear statement under article 6 so that member states should continue to protect an appellation of origin once registered as long as it is still protected as such in the country of origin.

There had been instances where courts interpreted Article 6 of the Lisbon Agreement. For instance the Italian Supreme Court has once interpreted the article to be only a presumption, not an unchallengeable right.

It is the writerõs view that this Article should be interpreted from the spirit and purpose of the entire Agreement. The Agreement was concluded to remedy the inadequate protection given to geographical indications by preceding international agreements. When we consider the Madrid

[271] See Heath *supra note* 214 p.106

Agreement, one of its deficiencies was it gave tribunals of the member states power to refuse protection if the appellation of origin becomes generic subsequent to registration. This has created problems of uncertainty and fairness. Article 6 is designed to fill this loophole courts used to deny protection and make this intellectual property right vulnerable. Even when generic appellations are ever an issue; the Lisbon Agreement gives the competence to administrative organs of the government to act upon it during the one year period given to make such declaration.

(b). Conflicts between an appellation and a trade mark

Article 5(6) deals with the contradiction between an appellation of origin and a previously protected trademark. It calls for the use of the trademark to cease once the conflicting appellation of origin is registered. The provision does not mention any cancellation of a registration, as the question of registration is not dealt with at all. The conference protocols are silent in this matter which makes the interpretation of this provision real difficult. It is therefore not easy to interpret what the provision of Art. 5(6) had in mind, in particular because the Conference protocols are silent on the matter.

Heath attempted to make more sense of the provision by examining it in light of comparable provisions in EC Regulations. The EC Wine Regulation of 1989 solves the conflict in Art. 40(3) by granting the owner of registered marks that conflict with appellations of origin, a grace period up to 31 December 2002. Only thereafter would further use be prohibited. However, even before this period, the trade mark owner cannot object to the use of the mark as an appellation of origin. It is safe to conclude that this provision deals with the issue more directly than the Lisbon Agreement.. This is different in the EC Regulation on Geographical Indications of Agricultural Products, etc. of 1992 that in Art. 14(2) allows a continued use of a previously registered mark as long as there are no grounds for cancellation under the Trade Mark Directive.

He concludes his analysis as follows,

ñAs a result, one can conclude that those entitled to use a registered appellation of origin may not be in a position to demand the expropriation of proprietary positions already achieved prior to the registration of the appellation. If at all, Art. 5(6) only require third parties to cease the use of the appellation as a mark in cases where such use is not based on a proprietary right. On the other hand, the owner of a conflicting trade mark should not be in a position to request cessation of use of the appellation of origin, either. Art. 5(6) Lisbon Agreement makes clear that an appellation of origin takes precedence over the ñsimpleò use of the appellation as a mark. It is no basis for requesting expropriation, yet if the wording is anything to go by, appellations of origin shall take precedence over marks. This would lead to the inevitable conclusion that the owner of a trade mark obtained prior to the registration of an appellation of origin may not invoke the trade mark right against use of the appellation of origin as an appellation of origin rather than mark.ò[272]

7.3.3. Judicial Review

The role of courts as to regulating issues of appellations of origin is what is discussed here. Though every issue that can be raised cannot be settled form the plain text of the Lisbon Agreement, conclusions will be attempted to be made by referring to the structure of the whole Agreement, the historical context between the Madrid Arrangement and the Lisbon Agreement, the Protocols of the Preparatory Conference of the Agreement and the revised Rules.

The question as to whether courts have the power to deny protection on the ground that the appellation has become generic after registration has already been discussed above. The answer will be negative. But when it comes to deciding to what extent indications similar to those of the registered appellations of origin constitute an infringement under Art. 3 Lisbon Agreement is definitely under the jurisdiction of national courts.

Another issue is to what degree the courts in any given member state may determine not only if and to what extent the appellation of origin is still protected in its home country, but also whether the appellation of origin indeed satisfies the criteria set out under Art. 2 and thus qualifies as an appellation of origin under the agreement. Varied conclusions were reached among different courts of members of the Agreement.

The Italian Supreme Court in the above mentioned Budweiser case denied protection to the appellation ñBudweiserò because beer was not a product that could qualify for an appellation of origin. The court based its decision on the argument that ñthe expressions óBudweiserô or óBudô do not consist of a geographic denomination of a region or locality that can be used to designate any good originating from that place . . . Accordingly, when the registrations of the appellation of

[272] Ibid p.112

origin was made, it did not meet the minimum legal requirement to be protected pursuant to Article 2 of the Lisbon Agreement.

But the Israel Supreme Courtôs[273] position is that tribunals do not have such competence to rule on the validity of an already registered appellation of origin. Once the period of one year has elapsed from the international registration date, there only ground to deny protection is if it is no longer protected in the country of origin. The argument that the appellation has become generic or is incorrectly named can only be raised in the country of origin.

A similar line of argument is taken by academics who have dealt with the question and Heath in particular summarized it as ñOnly this interpretation (made by the Israel Supreme Court above) is consistent with the combined efforts of the Paris Convention and the Lisbon Agreement towards an improved protection of appellations of origin. It is exactly the principle of incontestability that gives the Lisbon Agreement its true meaning and ensures that protection is indeed homogeneous in all member states and not gradually chipped away by the courts after the one year opposition period has expired.ò[274] (Emphasis added.)

7.4. The TRIPS Agreement

The Trade Related Aspects of Intellectual Property Rights agreement is currently the largest international agreement covering the use of GIs originating from the World Trade Organization (WTO). Generally, it defines and establishes minimum levels of protection for all types of intellectual property. Compared to the above discussed agreements, it has a relatively large membership and in the field of geographical indications had to accommodate the most diverse interests those who advocate a relatively stronger GI protection like Europe and others with less initiative like the US and Australia. When it comes to GI, it has been defined by the TRIPS agreement as,

ñGeographical indications are, for the purpose of this Agreement, indications which identify a good as originating in the territory of a Member, or a region or locality in that territory, where a

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[273] See generally Israel Supreme Court, 10 January 1990, 22 IIC 255 [1991] – "Budweiser"; Israel Supreme Court, 13 September 1992, 25 IIC 589 – "Budweiser II"

[274] See Heath *supra note* 214 p118

given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin.ò[275]

The TRIPS Agreement definition of GI is thus broader than ñappellation of originò as defined in the Lisbon Agreement. Under the Lisbon Agreement definition, the quality and characteristics of the goods bearing the appellation of origin are due *exclusively or essentially* to the geographic environment. The TRIPS Agreement language is not as strict; in a sense that it rather used the term ñattributableò. This could mean that it is sufficient that a certain quality of the product is made happen because of the geographical environment where it is originated. The interpretation had been taken to even mean that it is not even necessary that any of the productôs *unique* qualities derive from/are attributable to the productôs geographic origin.[276] If the goodôs reputation or some ñother characteristicò is essentially attributable to the place of origin, this too qualifies for a geographical indication.

The Lisbon Agreement regards an appellation of origin to be the actual name of the geographical place.[277] GIs as ñindicationsò under that TRIPS Agreement need not be the name of an actual geographic place. It could consist of written symbols as long as it is capable of identifying goods as originating from that territory.[278] In practice, there are GIs being used while the terms are not actually names of existing geographical places. Examples of such traditional names that connote but do not directly state the name of a place may also serve as GIs, e.g., Basmati for rice from India, and Feta for cheese from Greece.[279] Similarly, iconic symbols such as the Matterhorn or the Taj Mahal may serve as GIs for products of Switzerland or India.[280]

The other important feature of ñindicationò of origin as defined by the TRIPS Agreement is the importance given to ñreputationò. It is possible for an indication of origin to qualify for protection on the existence of ñreputationò of the good where it is essentially attributable to its geographical

[275] *See* Art. 22.1 of the TRIPs Agreement

[276] See Erick, *supra note* 218 p.40

[277] See Lisbon Agreement Article 2.1

[278] See Erick, *supra note* 218 p.40

[279] *ibid*

[280] *ibid*

origin. It is important to note here that there is no element of reputation in the Lisbon Agreementôs ñappellation of originò. The good can have a reputation related to its geographical origin but it cannot be the only element to be granted protection as an appellation of origin, which is possible for a geographical indication under the TRIPS Agreement.

The TRIPS provides for a discriminatory protection between ordinary indications and those used for wines and spirits like the Madrid Agreement. The protection of geographical indications is nonproprietary in principle that only prohibits uses which misleads the public as to the geographical origin of the good. Article 24(6) provides that members do not have an obligation to protect a GI if it is considered generic in their jurisdiction. This two features of the TRIPS Agreement is similar to the standards of the Madrid Arrangement.

The TRIPs Agreement deals with the problem of trade marks conflicting with geographical indications. Article 22(3) provides that if a trademark consists of geographical indications that could mislead the public as the true origin of the goods is applied for registration or is in use, it should be refused or invalidated. When it comes to trademarks for wines and spirits, proof of confusion is not required.

The TRIPS Agreementôs definition of GI is important because the TRIPS Agreement imposes positive obligations on its members to bring their individual national systems of GI registration and protection in certain respects into compliance with its provisions.

7.5. The EU System

The coverage of GI protection in the EU was previously limited to wines and other alcoholic beverages. But in 1992, it was broadened, to include agricultural products and foodstuffs.[281]

Regulation 510/2006 defines two types of geographical indications: Protected Geographical Indications (PGIs)[282], and Protected Designations of Origin (PDOs)[283],

[281] EC Council Regulation 2082/92 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs

[282] EC Council Regulation 510/2006 article 2(1)(a),

[283] *Ibid* Article 2(1)(b).

The two terms require different elements but they both generally mean the name of a region, specific place, or, in special circumstances, a country, which is used to describe an agricultural product or foodstuff.

A PDO must satisfy three criteria:

ÅThe product must originate in that geographical area;

ÅThe quality or characteristics of the product must be essentially or exclusively due to a particular geographical environment with its inherent natural and human factors; and

ÅProduction, processing and preparation of the product must take place in the defined geographical area.

The requirements to be protected as PGI are ,

ÅThe product must originate in the geographical area;

ÅA specific quality, reputation or other characteristics must be attributable to that geographic origin; and

ÅThe production and/or process and/or preparation of the product must take place in the defined geographical area.

A PDO requires terroir to be exclusively a result of its place of origin. This makes it similar to an appellation of origin, defined in the Lisbon Agreement. But for PGI, a looser standard is set where it is sufficient to show certain quality, reputation, or other characteristic of the product be attributable to the productôs geographic origin.

Council Regulation 510/2006 provides for accommodation of cases that suffice the requirement that óthe product should originate in the region, specific place or countryô provided under article 2(1)(a) and (b). Article 2(3) provides that ñwhere the raw materials of the products concerned come from a geographical area larger than or different from the processing areaò geographical designations with respect to such products will be treated as designations of origin, as long as

ÅThe production area of the raw materials is limited;

ÅSpecial conditions for the production of the raw materials exist; and

ÅInspection arrangements ensure compliance with such conditions.

ÅSuch designations must also have been recognised as designations of origin in their country of origin prior to 01 May 2004.

ñThe PDO ñProsciutto di Parmaò benefits from this provision. It is produced using meat from pigs born and raised in 11 sections of central-northern Italy. On its face, a product using pig meat from outside Parma does not originate in that geographical area, as required by Article 2(1)(a) of the Origin Regulation.ò[284]

The Origin Regulation has room for wide scope of interpretation. Under Article 2(1)(a) and (b) of Council Regulation 510/2006, GIs are geographical names. Article 2(2) however provides that certain traditional, non-geographical terms that have come to be understood to denote a geographical place may also be GIs. This is similar to the definition of GI under the TRIPS Agreement discussed above.

ñThis is the case, for instance, with the term ñFetaò for cheese. In the Feta cases, Greek makers of Feta cheese, supported by the Greek government, brought actions to prohibit the use of the term by Danish and German producers. German courts were asked to determine whether the claim to the GI ñFetaò by its Greek proprietors was in fact supported by scientific evidence of a link between the characteristics or elements of the product as set forth in the specifications required by Article 2(1), and its geographic origin. The court held that a determination of the essential or exclusive link between the product and its place of origin is not based on strict scientific criteria, but on a ñglobal evaluation of all factors including flora, and people.ò[285]

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[284] See Erick, *supra note* 218 p.42

[285] Ibid cited Opinion of AG Colomer in joint cases G-465-02 and G-466-02 FRG and Kingdom of Denmark v. Commission of the European Communities (“Feta II”) [2005] E.C.R O paras 194-196).

By and large, the definition as well as the protection given to GI under the EU system is the strongest compared to all the international agreements discussed above.

8. GI, Trademark and Development

8.1. Introduction to Development

The meaning of the term ‘development’ is often contested among social scientists and international development experts and organisations. But clearly, it compasses elements broader than the term ‘economic growth’. Economic growth is about a country’s measurable economic performance using growth indications like GDP, GNP, total productivity factor, per capita income etc. but development, on the other hand, adds an element of ‘human development’. Economic development can be defined as “an increase in the amount of people in a nation’s population with sustained growth from a simple, low-income economy to a modern, high-income economy”[286] some of the indicators of economic growth and development are discussed here.[287] Gross Domestic Product (GDP) is calculated by adding the total value of a country’s annual output of goods and services. It is valued at market prices; by subtracting indirect tax and adding any government subsidy. Gross National Product (GNP) is about the output of goods and services earned by nationals of a country. It is calculated by adding to GDP the income earned by national form investments abroad, less the corresponding income sent home by foreigners who are living in the country. National debt is the total outstanding borrowing of a country’s government which is often considered as burden though it has economic benefits. The national debt is a total of all the money ever raised by a government that has yet to be paid off. Trade Balance is another indicator concerned with the difference between the monetary value of exports and imports of output in an economy over a certain period. A favorable Balance of Trade should indicate the value of exports higher than imports called Trade Surplus, its opposite being Trade Deficit. Distribution of Wealth is an indicator that compares the wealth of various members or groups in a society. The more even the distribution, the healthier growth the economy is assumed to have.

To use as benchmark for understanding the elements of development, it is good to take a look at the Millennium Development Goals (MDGs), set by the Member States of the United Nations in 2000 at the

[286] See WEDC, Economic Development Indicators, March 2011, available at http://wedc.lboro.ac.uk

[287] See Ibid

United Nations Millennium Summit. These were eight goals and targets set for achieving development whereby the Member States took a commitment to realize them.[288] They are;

1.Eradicate extreme poverty and hunger

2. Achieve universal primary education

3.Promote gender equality and empower women

4.Reduce child mortality

5.Improve maternal health

6.Combat HIV/AIDS, malaria and other diseases

7. Ensure environmental sustainability

8.Develop a global partnership for development

From the market point of view, an economic well-being is secured by achieving a workable competitive market economy. Based on the classical thought, such market is achieved with allocative efficiency whereby resources are allocated in a way that brings the highest possible level of satisfaction to individuals and cumulatively serves the social well-being of an entire community.[289] The optimal efficiency in allocation is tested by, what is often understood as, óPareto optimalityô after the economist Vilfredo Pareto.[290] It means the optimal level of efficiency is attained when there can be no possible reallocations to make an individual better off without making someone else worse off. Where a market is not Pareto efficient, market failure is deemed existent, which could be caused by many factors including the public goods phenomenon, the existence of market power to the extent of absence of perfect competition(including absence of adequate information about the market), and situations where externalities exist. The Pareto criterion is just theoretical which cannot be achieved in reality. There is an alternative efficiency criterion called the Kaldor-Hicks efficiency or the wealth maximization criterion. Accordingly, an allocation of resources that favors some individuals at the expense of others could be efficient if the gains of those benefited exceeds the losses followed.[291] Though, this criterion is more

[288] Available at *www.un.org/documents/ga/res/55/a55r002.pdf - A/RES/55/2).*

[289] See Graham *supra note* 12 p 48

[290] ibid

[291] See generally Mercuro, N. and S. Medema, *Economics and the Law: From Posner to Post-Modernism* (2nd ed.) 2006, chapter 1.

realistic than the Pareto efficiency test, both are important because the more our markets are made to meet these test, the better the output on the well-being of the market and the economy in general.

8.2. The Relationship between GI and Trademarks and Development

Intellectual property plays an increasingly vital role in global trade and economic development. Globalization of trade means that intangible informational resources are now produced exchanged and consumed anywhere and everywhere defying jurisdictional borders. Intellectual property has moved into the mainstream of national economic and developmental planning; in the recent past it has also emerged as a central element of multilateral trade relations.

In a globalized market, businesses are always trying to find new ways to make themselves competent and make profits. The developed countries have their absolute advantage due to the conditions their level of development conveys. But the approach that should be taken by poor countries is to make use of their assets. Agricultural products are the apparent subjects of international trade for developing countries. But maximizing the tangible value aspect of such products is naturally limited. They can either increase volume of supply or improve qualities to be competitive. But the lesson learned from history of this approach is it cannot do much. However, maximizing on the intangible values of this products, with a tool of intellectual property rights is now revealing itself to be the better approach. There are ample examples of developing countries that are now making themselves competent in the international trade using this approach.

A. Geographical Indication Vs Development

- Higher retail price and better returns for primary producers

GIs in this respect, are a power tool to get through the market by giving a way to ñmonopolistic competitionò. The principle of "Monopolistic Competition" explains that ñwhen a product is differentiated, therefore absolving generic qualities, it becomes a tightly controlled commodity, for which some consumers express a preference and a willingness to pay a higher price."[292] In simple terms, a GI can be a tool for a developing country to own a monopoly over a desired product. But the seller needs to make sure that the product is differentiated in the market. Consumers need to be informed about the special

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[292] Philip Matthews, "Increasing Revenue in Developing Nations Through Intellectual Property Rights: Why a Diversified Approach to Intellectual Property Protection with Focus on Geographical Indication is the Best Method" *Buffalo Intellectual Property Law Journal* Vol 7 No. 2, 2010 p. 205

attributes that accompany the product. This comes with marketing, or the sales and advertising costs.[293] In intellectual property regimes like the US, where GIs are protected under the auspices of certification marks, it is possible to transfer such costs to the licensees who sell the goods.

When a good is supplemented by a differentiated GI, consumer will be willing to pay more. This additional payments made by consumers is known as premiums. A consumer survey conducted in 1999 in the EU indicated that consumers are ready to pay a 10% premium price for origin-guaranteed products.[294] In 2003, the European Communities reported that geographical indications have been used to add value to producers and hence considered as a key to EU economy.[295]

In the contemporary world, a prime example of a product known to bring such premium form consumers is specialty coffee. ñSpecialty coffees are typically sold by origin to a public of 'connoisseurs' at a very high price compared to conventional coffees."[296] There are also other products of developing countries that generated significant revenues due to a differentiated geographical origin. These include Habanos cigars from Cuba, Argon Oil from Morocco, Black Chocolates from Ecuador, Madagascar and Cuba, and Rooibos teas from South Africa.[297]

- Production Growth and Foreign Direct Investment(FDI)

Registration of GI has shown to increase production of the protected good and increase in the value of land whereby creating an appealing condition for foreign direct investment.[298] FDI is about the flow of capital from capital rich countries to capital poor countries.[299] It is crucial for development of poor countries because in a place where capital is scarce, FDI opens for profitable investment opportunities and

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[293] *Ibid* p. 206

[294] Daphne Zografos, "Geographical Indications & Socio-Economic Development" Working Paper 3, December, 2008 p.11

[295] *ibid*

[296] Shuy *Supra note* 3, p.206

[297] *ibid*

[298] See Zografos *supra note* 294

[299] Sheila Page and Dirk Willem te Velde Overseas Development Institute, London, Foreign Direct Investment by African Countries, December 2004 p.12-3

helps close saving gap in developing countries.[300] There are different internal factors which could convince a foreign investor to carry out FDI, one of which is strategic asset seeking. This could be seeking to take over brand names or strong GIs.

- Tool for rural development and sustainability

The role of GI in rural development by improving the incomes of local farmers is recognized by the preamble of Council Regulation (EEC) 2081/92 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs:

Whereas the promotion of products having certain characteristics could be of considerable benefit to the rural economy, in particular to less-favoured or remote areas, by improving the incomes of farmers and by retaining the rural population in these areas.

Geographical indications can provide rural areas first by creating an opportunity for local producers to get economic benefits.[301] Second it helps them have a monopoly over a niche market created by the GI and gives them the right to exclude outsiders from taking part. The added value derived from GI protection leads to a differentiation based on product ñqualitiesò and consequently to the creation of niche markets.[302] This gives the producers the chance to protect and enhance this market and restrict supply by creating barriers which at the end serve as a powerful marketing tool which could improve market access.[303]

Third it serves as an economic incentive for the producers to nurture and sustain traditional methods and preserve the natural environment. In indirect way, it also benefits by generating tourism to such areas

ñA study by the OECD (1995) identified a number of factors that influence the success of small, rural enterprises that target niche markets. While numerous factors have an influence, two main factors emerged: market access and differentiation. The study found that one approach to addressing these factors

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[300] *ibid*

[301] See Zografos *supra note* 294 p.12

[302] Cerkia Bramley, *et al*, *The Economics of Geographical Indications: Towards a Conceptual Framework for Geographical Indication Research in Developing Countries*. P.114

[303] *ibid*

is to work collectively in order to develop a competitive advantage. This approach is well accommodated within an origin-labeled valorization strategy confirming the economic rationale for protecting geographical indicationsò[304]

B. Trademarks Vs Development

From an economic perspective, the aim of trademark law is widely recognized to be promotion of economic efficiency.[305] Trademark remedies asymmetry of information between producers and consumers and eliminates a resulting market failure. Ramello explained this concept like this; ñIn the presence of uncertainty relating to the quality of goods, and in the absence of adequate and credible information, the consumer search cost to consumers in purchase decisions would escalate, while companies would have a greater incentive to mislead consumers as to the quality of the goods produced. The final outcome of such a situation is a reduction in both the average quality of products and the size of the market.ò[306]

Trademarks serve as a badge of origin whereby consumers use it to trace the producer. With use in the market, a brand could be built where consumers begin to associate certain quality with a trademark as a result of their past purchases or others experience. Therefore, trademark reduces the cost consumers incur in trying to find a product of a desired quality. In other words, trademarks reduce the transaction cost within the market. This in turn promotes an attainment of competitive equilibrium with in the market.

Trademarks have an important role in market of a certain economy by protecting the integrity of the marketplace by prohibiting the use of marks associated with particular manufacturers in ways that would cause confusion as to the sources of the goods.[307] As a result, a trademark reduces consumer confusion that helps enhance a healthy competition in the market. In addition, it acts as an incentive for firms to invest in improvement of brand reputation.

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[304] *ibid*

[305] Giovanni B. Ramello, "What's in a Sign? Trademark Law and Economic Theory" *Università del Piemonte Orientale,* Department of Public Policy and Public Choice – POLIS Working paper n. 73 March 2006, p.6, cited Landes and Posner, 1987, p. 265).

[306] *Ibid*

[307] Peter Menell *et al, supra note* 122 p.58

Chapter Three: GI, Trademark and Ethiopian Goods

3.1. Introduction to Coffee and Ethiopia

3.1.1. History of Coffee

Ethiopia is the birth place of coffee. The name ćcoffeeô itself is named after a place in Ethiopia where coffee grows wild and first discovered.[308] One can marvel at the ingenuity of the people who first used the coffee beans that grow wild to make what we now call coffee given the long and elaborate process of making a drinkable coffee.[309] Legend has it that the story of discovery of coffee relates to a goat herder named Kaldi.[310] This young boy noticed that his goats got prance after eating a leaves and red beans of nearby shrubs. He then, out of curiosity chewed the somewhat bitter leaves and beans himself only to discover the exciting stimulating effect. He shared this experience to a local monk, who later came up with the roasting, grinding and brewing process and shared it with fellow monks. The coffee was hugely appealed by the monks because it kept them awake and alert in their long hours of prayer and devotion. It was then quickly adopted by the clergymen and then eventually spread to the local people.

Bernand Lewis stated that coffee was spread to the rest of the world as it was imported from Ethiopia to Yemen, from Yemen through Arabiain the sixteenth century to Egypt and Syria, then to Turkey, and from Turkeyto Europe.[311]

3.1.2. Significance of Coffee in Ethiopia

Coffee has a crucial social and cultural significance in Ethiopia. It is used in social interaction such as get-togethers with family members, neighbors; for celebrations, mourning and receiving guests and about 50% of the national production is consumed locally.[312]Traditionally, coffee is boiled

[308]Bernand Lewis, *From Babel to Dragomans The Middle East,* 2004, p. 40

[309] *ibid*

[310] Ministry of Trade and Industry, Government of the Federal /democratic Republic of Ethiopia, *Coffee, the Gift to the World* p.12

[311] See Lewis, *Supra note* 1

[312] See Ministry of trade, *supra note* 310 p.4

three times (*abol*, *tona*, *barakaa*) which gives time for participants of the ceremony to discuss matters of importance.[313]

More importantly, coffee has an enormous economic significance in Ethiopia. It accounted for an average of 51% of the total export revenue during the period 2000-2005. In 2006/2007 fiscal year, the coffee sector has 215 exporters, who exported 176,390 tons of coffee, accounting for some 36% of the total export value of Ethiopia.[314]In addition, coffee is the main provider of employment opportunities where one fourth of the population is engaged in coffee production, transportation and marketing.[315]

3.1.3 Coffee Production and Processing in Ethiopia

Ethiopia has a very high potential for coffee production given its suitable altitude, rainfall, temperatures and fertile soil.[316]Besides, Ethiopia has a vast genetic resource which could be used to meet the need for high-yield, disease resistant and preferred traits such as low caffeine and caffeine free coffee.[317]The countryĝs coffee product is universally appealed because it is traditionally organic and the soil remains fertile by recycling in natural process.[318]

According to a field study made by Tora Bäckman[319], a typical Ethiopian farmer grows his/her crops in the backyard of the house. Usually, there are other food items grown alongside coffee such as enset (false banana), corn and cabbage for family consumption. Agriculture is traditionally organic and no chemical fertilizers or pesticides are used. Though the costs of production differ

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[313]Pankhurst, Rita, "The Coffee Ceremony and the History of Coffee Consumption in Ethiopia," *Ethiopia in Broader Perspective: Papers of the XIIIth International Conference of Ethiopian Studies,* Vol. II, 1997,p. 241

[314]The Fortune, 2007-11-04

[315]See Ministry of trade supra not 310 p.4

[316]ToraBäckman, "Fairtrade Coffee and Development - A field study in Ethiopia "Minor Field Study Series No. 188, 2009 p.9

[317]Getachew Mengistie, *Intellectual Property as a Tool for Development: The Ethiopian Fine Coffee Designations Trade Marketing and Licensing Initiative Experience*, 2011, cited, Surrenda Kotcha, *Coffee Origins-Arabica's Garden of Eden, Voice of the Specialty Coffee Association of Europe*, No.31 2007,p.4

[318] See ToraBäckman *supra note* 316,p. 9

[319] See ToraBäckman *supra note* 316, p.9ff

from farm to farm depending on the use of pulping machines, hired workers etcetera, the average productivity on the coffee farm is 500kg/ha, which is believed to be low in an international perspective.[320]

The total area covered by coffee is about 400,000 hectares with a production of 200,000 MT of clean coffee per year with 95 % small scale farmers and 5 % big plantations owned by the government.[321]There are four systems of production of coffee in Ethiopia; forest coffee in the traditional way, semi-forest coffee, garden coffee and plantation coffee owned by the state.

The forest and semi-forest coffee is mostly produced in western Ethiopia, and it grows in the wild under the canopy provided by tall trees in the lush, dense forest that cover the mountains.[322] The forest coffee, which is also known as wild coffee, is not cultivated but found in natural forests. Wild coffee is found in South-Western part of the country in Western Welega, Illubabur, Kafa-sheka and Bench-Maji.[323] The area covered by forest coffee is estimated to be 10% of the total coffee growing area.[324] Semi-forest coffee, on the other hand, involves limited human intervention.[325] It is grown in Illubabur, Jimma, Bench-Maji, Kefa-Sheka and Western Welega and takes about 35% of the total coffee production in Ethiopia.[326]The forest and semi-forest coffee production does not utilize any chemicals or fertilizers.[327]

There are two methods of coffee processing practiced in Ethiopia; the wet processing and the sun dried. The wet processing results in what is known as ñwashed coffeeò.[328] First the red cherry is

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[320] See ToraBäckman *supra note* 316, p.10

[321] *ibid*

[322]See *Ministry of trade*, *supra note* 310, p.6

[323]*ibid*

[324]*ibid*

[325]*ibid*

[326]*ibid*

[327]*ibid*

[328] See Coffee Quality Control and Marketing Proclamation No.608/2008, Federal Negarit Gazeta of the Federal Democratic Republic of Ethiopia, 14th Year, No.61, 2008. [hereinafter cited as Coffee Quality Control and Marketing Proclamation] Article 1(5)

collected and pulped to remove the parchment and mucilage and then washed and dried.[329] Whereas the dry processing, the fresh berries are laid to dry on mats, or concrete or cement floors immediately after harvesting.[330] When the moisture content is about 11.5%, the commercial bean will be obtained after the outer layers of the cherries are removed by hulling.[331]The processing of washed coffee is more complicated and has a greater risk of damaging the beans, but it is offered higher price in the international market.[332]

3.1.4. Coffee Marketing and Quality Control in Ethiopia

There are quality control procedures carried out in the process of marketing coffee grains from the farmerôs spot to the coffee exchange and export market in order to ensure that the coffee will be at its best to grant maximum returns. Once the farmers harvest coffee cherries that are fully ripped, the next step will be processing it in either wet processing or sun drying procedures. Usually the coffee processing is done by the farmers themselves. Sometimes, a supplier other than the producer can take over at this stage. The Coffee Quality Control and Marketing Proclamation provides that the harvested coffee should be delivered for processing within 24 hours after harvest.[333] The next step is delivering the processed coffee to a regional or district coffee quality and inspection centers. At this point, the supplier has the obligation to make sure the coffee submitted to a coffee quality and inspection centers conforms to the requirements and standards and has moisture of not more than 12 percent.[334] In every major coffee-producing district, there exists a coffee quality and inspection center which is entrusted with a power of checking the grade and quality of every truckload delivered to it. There are some specific standards like the coffee should not have a moisture content of more than 12% and not more than 8 percent impurities.[335] Deliveries that do

[329]See Mengistie *supra note 317*, p. 13

[330]*ibid*

[331]*ibid*

[332]*See* ToraBäckman *supra note* 316, p.11

[333] *See* Quality Control and Marketing Proclamation Article 7(1)

[334] *Ibid*, article 7(3)

[335]*See* Mengistie *supra note* 317, cited the Ministry of Trade and Industry, Government of the Federal Democratic Republic of Ethiopia and the International food policy Research Institute (IFPRI) Markets, Trade and Institution

not conform to such minimum standards could be rejected on the spot.[336] After inspection at this stage, the coffee will be sealed and sent to the coffee quality liquoring and inspection center. After verifying that the coffee is properly sealed and delivered this center grades the coffee by performing quality tests and examinations based on representative samples.[337] Finally, this center shall issue a certificate asserting the coffeeǿs quality standards.

After this step, coffee transaction will be made and the law requires it be carried out at the Ethiopian Commodity Exchange[338], the auction centers or local markets established by the Ministry of Agriculture and Rural Development or the appropriate regional body.[339]

The Ethiopian Commodity Exchange center has a general objective to ñensure the development of an efficient modern trading system and to regulate and control secure, transparent and stable functioning of a commodity exchange and to protect the rights and benefit of sellers, buyers, intermediaries and the general publicò.[340]

There are coffee cooperative unions involved in coffee marketing in Ethiopia. Oxfam International introduced fair trade in Ethiopia in 2002 which resulted in establishment of four certified Unions.[341] These are; Kaffa Forest Coffee Farmers Cooperative Union

- Sidama Coffee Farmers Cooperative Union
- Oromia Coffee Farmers Societies Cooperative Union
- Yirgacheffe Coffee Farmers Cooperative Union

Division (MTID) Washington, DC, (2003) Getting Markets Rights In Ethiopia: An Institutional and Legal Analysis of Grain and Coffee Marketing Final Report.

[336] *ibid*

[337] *See* Quality Control and Marketing Proclamation Article 4(2)

[338] *Ibid* article 5. The Ethiopian Commodity Exchange (ECX) is a state owned market institution established by the Commodity Exchange Proclamation No. 550/2007.

[339] *Ibid* article 2(21) and 5

[340] *See* Ethiopia Commodity Exchange Proclamation No.550/2007, Federal Negarit Gazeta of the Federal Democratic Republic of Ethiopia, 13th Year, No.61, 2007. [hereinafter cited as Ethiopia Commodity Exchange Proclamation] article 5

[341] *See* ToraBäckman *supra note* 316, p. 9

Unions represent cooperatives in dealing with parties involved in transaction and try to create and develop long term business relationships. A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically-controlled enterpriseò.[342]From marketing perspective, the Unions purchase coffee from farmers who are members of cooperatives at competitive price.[343]The way this works is, first the producers involved in unions that practice fair trade standards will be paid a minimum price for their supply of coffee, regardless of the market price at the time of trade, which is roughly calculated to cover the production costs.[344] Then the producers will receive extra money in the form of a premium, which is a part of every export contract and is paid by buyers.[345] This money is encouraged to be used for training and education, infrastructure, productivity increases, environmental protection, and revolving funds.[346] This system benefits individual farmers by enabling them to create better living condition for them and their families through the premium payments.[347]

3.1.5. The International Coffee Market and Ethiopia

Coffee is the second largest commodity in the international market next to oil mainly produced by developing countries. The International Coffee Agreement (ICA) used to govern coffee trade a global regulated manner until 1989.[348] There were multiple international coffee agreements signed by most coffee producing and consuming countries, e.g., the United States and Brazil.[349] The agreements had specific duration and attempted to regulate the international coffee market by

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[342] *Ibid* p.17

[343]Bezabih Emana*, Cooperatives: a path to economic and social empowerment in Ethiopia* Coop Africa Working Paper No.9 , 2009 p.16

[344] *See* ToraBäckman *supra note* 316 p.18

[345] *Ibid* p.20

[346] *ibid*

[347] *Ibid* p.23

[348] *See* Lennart Schüβler *supra note* 217 p.150

[349] *ibid*

establishing export quotas to achieve reasonable market prices and stable supplies.[350] But the stabilization of the coffee market prices did not stay long.

The existing status of the global coffee market is marked for low prices which has depleted the growersô income.[351]ñBetween 1999and 2004, the decline of coffee prices to a 30-year low in the international market reverberated globallyò.[352]In 2002, coffee prices collapsed even more to 100-year lows in real terms, and the world coffee crises was official.[353]

But the situation form the rosters perspective is quite the opposite. ñConsumers in Western countries are paying well in order to choose from numerous combinations of coffee variety, origin, brewing and grinding methods, flavoring, packaging and ñsocial contentò.[354]Particularly the flourishing cafés and gourmet coffee retailers that began in the 1990s, are enjoying the significant marginal revenues taking part in the specialty market and developing new products.[355] The global value chain for coffee is characterized by a ócoffee paradoxô where the producing countries faced a coffee crisis and the consumers, on the other hand, entertain a ócoffee boomô.[356]

The factors of this so called óparadoxô between the economies of the coffee growers and consumer regions are manifold. But some of the factors are discussed here.

1. The constant oversupply of the market: due to advancement of technology related to production, new strains of coffee beans with increased productivity and new intensive farming methods, the market is suffocated with huge supply of coffee.[357] The world coffee market was characterized by a boom in consumer countries and a corresponding crisis in

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350 *ibid*

351 *Ibid* p.151

352Heran Sereke-Brhan, "Coffee, Culture, and Intellectual Property: Lessons for Africa from the Ethiopian Fine Coffee Initiative" The Pardee Papers No. 11 July 2010 p.9

353Daphine Zografos Johnson, "Using Intellectual Property Rights to Create Value in the Coffee Industry", *Marquette Intellectual Property Law Review,* Vol 16 No.2, 2012, p. 284

354*See* Lennart Schüβler *supra note* 217 p.151

355 *ibid*

356 *See* Johnson *supra note* 353 p.290

357 *ibid*

producing countries between the late 1990s to around 2004.[358]In particular, Brazil and Vietnam have been able to flood the market with low-quality robusta beans.[359]Consequently price of coffee declined which gives a chance for coffee roasters an opportunity to maximize their marginal revenues. Meanwhile, the demand for high quality coffee is high motivating sales growth.

2. Critics link this oversupply of coffee in the international market to the policies of multi-national financial institutions and development banks (IMF, World Bank, and the World Trade Organization in particular) that offered advice or loans to help low income countries to produce more coffee for export.[360]ñArguable as this link may be, the most significant outcome occurred in Vietnam, which went from being a small producer in the early 1990s to the second largest by 2000. This outcome did not necessarily result in corresponding improvement of farmersô livelihoods, in part because oversupply kept prices lowò.[361]
3. The specific and complex structure of the world coffee market itself is cited as another factor for decrease of coffee price.[362] The coffee industry is composed of two groups involved in the transaction. On the one hand we have millions of poor farmers and on the other we have a few elite exporters and even fewer global corporations who acquire beans from the limited exporters. The highest consumer of world coffee is the US followed by Germany and Japan. Up to a half of all purchases are dominated by one German and four U.S. manufacturers: Tchibo, Kraft Foods (Maxwell House), Procter & Gamble (Folgerôs), Sara Lee (Hills Brothers), and Nestlé.[363]

Of all these groups of actors the farmers are the least benefited because of their weakest bargaining power, and lack of knowledge of the coffee market price. The nature of coffee production itself

[358] *See* Heran *supra note* 352 p.13

[359] *ibid*

[360] Heran *supra note* 352 p.9-10

[361] *ibid*

[362]*See* Lennart Schüβler *supra note* 217 p. 151-2

[363]*See* Heran *supra note* 352 p.11

had a role. ñThe cyclical nature of growing coffee requires from three to five years to reach full production and the built-in lag may result in over production and price inelasticityò.[364]

4. The other factor for the coexistence of the coffee boom in consuming countries and the crisis in producing countries relates to their marketing strategy. The price of coffee grains sold at international commodity market and the prices of cups of coffee sold to western consumers are increasingly different from each other.[365] ñNot only is the ñmaterialò quality of the coffee sold by roasters, retailers and cafés, but also the ñimmaterialò, i.e., the ñsymbolicò quality attributes such as territory, a story, ideas, and the exotic as well as in-person service provision through agro-tourist networks, safari-and-coffee farm tours, and the establishment of coffee chains controlled by producerò.[366]This explains.

The crisis led to huge financial and social hardships to coffee farmers and their families who are estimated to be between 30 to 60 million by the World Bank.[367]Some coffee farmers are found in Latin America and Africa were forced to migrate to urban centers in search of alternative employment and others decided to shift to cultivating different crops.[368] The situation affected the Ethiopian coffee farmers and the economy as a whole. The Ethiopian coffee export earnings dropped from $330 million (70 % of GDP) to $165 million (30 % of GDP) between 1999 and 2004which affected millions of farmers.[369]Light Years IP (LYIP) a non-profit organization that have been giving technical support to Ethiopiaôs fine coffee designations trade marking and licensing initiative reported that Ethiopia currently captures only 6%-10% of the Specialty coffeesô retail price.[370]

Heran explains the effect of the crises on Ethiopian economy and farmers as follows;

[364] *Ibid* p.10

[365]*See* Lennart Schüβler *supra note* 217 p.152

[366] *ibid*

[367]*See* Heran *supra note* 352 p.10

[368] ibid

[369] *see*ToraBäckman *supra note* 316 p.9

[370]*See* Wondwossen Mezlekia, "Starbucks' prescription for Ethiopia: GI certification or *chat*" November 13, 2006, available at http://www.ethiomedia.com/addfile/starbucks_prescription_for_ethiopia.html accessed 26/08/2009

ñThe drop in coffee prices cost the country $1.12 billion in lost export revenue from 1995 to 2000. The crisis severely challenged Ethiopiaôs capacity to generate foreign exchange and to meet balance of payments as the income lost from decline in coffee revenues amounted to almost twice as much as the IMF debt ($58 million). Erratic instability of coffee prices also made it difficult to pursue development goals and articulate longer-term policy interestsé .. In Ethiopia, many abandoned coffee cultivation, resorting to the more lucrative *khat*or *qat.* Considered a narcotic in the U.S. and in most European countries, qat is widely consumed in the Middle East and the Horn of Africa. A fast-growing crop that is generally drought and pest resistant, qat requires minimum labor and maintenance. Qat leaves are chewed as a stimulant and its increasing demand locally and for export guaranteed a change of fate for farmers as a bushel of qat may be sold for as high as $9, while coffee would bring $0.01.ò[371]

There are two types of coffee sectors in the international market; the ñindustrialò or commercial coffees (which constitute canned or instant blends), and specialty or gourmet coffees.[372]The decisive element of specialty or gourmet of coffees is their special characteristics related to taste, production processes, marketing origin, etc.[373]Such types of coffees can be ñclearly distinguished because of distinct [geographical] origin, defined processes, or exceptional characteristics such as superior taste or zero defectsò.[374] Despite the existing coffee boom in the international market, there is a shortage of specialty coffee because there are limited producers with access to the required natural resources and traditions of production.[375] The high demand for specialty coffees among specific roasters and consumers brings the price of such coffee to higher level without being affected by the current coffee crisis.[376]

One type of specialty coffee is ósingle-origin coffeeô which is produced only in certain areas, i.e., a certain country, region or even plantation. On todayôs global market, ósingle origin coffeeô has a potential to influence purchase decisions because the consumersô confidence in the origin of a

[371] See Heran supra note 352 p.10

[372]ibid

[373]See Lennart Schüβler supra note 217 p.152

[374] See Johnson supra note 353 p.292

[375]See Lennart Schüβler supra note 217 p.152

[376] ibid

product is like a guarantee of quality and special characteristics for which they are always willing to pay more.[377]

The non-specialty coffee sector of international coffee trade is dominated by Robusta coffees. ñArabica is vulnerable to attacks by pests and diseases and is best grown in the highlands of tropical zones. Robusta is more resistant and preferably cultivated at altitudes between sea level and 800 meters. The coffee price is set on the stock exchange in London (for Robusta coffee) and New York (for Arabica coffee)ò.[378]Industrial coffees mostly use more quantity of ñRobustaò beans in their blends. Specialty coffees, on the other hand, are presented to the market in smaller volume which reaches about 10 percent of all coffee exports.[379]ñSuch coffees represent about 15 percent of the unit volume of all coffee sold in the U.S., 40 percent of gross sales, and about 55 percent of the gross profit dollar sales. Retail estimates in 2001, which combine coffee beverages and coffee bean sales, measured the total U.S. specialty market at nearly $11 billion.ò[380] Ethiopia has been producing the Arabica beans and ósingle origin coffeeô most sought-after by the gourmet industry and yet, its selling price continued to be pegged to that of the New York CSCEôs commodity price.[381]

3.2. The Ethiopian Fine Coffee Designations Trade Marking and Licensing Initiative

Ethiopia is driving a different strategy, the Ethiopian Fine Coffee Trademarking and Licensing Initiative. The strategy was initiated by a consortium of stakeholders led by the head of the Ethiopian Intellectual Property Office (EIPO) and including representatives of farmersô cooperatives, coffee exporters and government bodies. The project has been financially supported by the U.K.ôs Department for International Development (DFID), technically advised by the Washington-based NGO Light Years IP142 and legally assisted by a U.S. law firm.143(from GI COFFE)

[377] Ibid p.152-3

[378]*See* ToraBäckman *supra note* 316 p.11c

[379]See Heran supra note 352.p 12

[380] ibid

[381] ibid

3.2.1 Objectives of the Initiative

"We are dealing with the issue of improving the lives of millions of people"

SindisoNgwenya,*

The Ethiopian Fine Coffee Designations Trade Marking and Licensing Initiative project proposal had been launched in 2005.[382] It had three fold general objectives.[383] The first one is ensuring Ethiopia's ownership over the valuable coffee designations that represent the commercial reputation and goodwill of its fine coffees. The second aim is to increase and secure a viable income for poor farmers. The last objective set by the proposal is building IP asset protection and management capacity.

Utilization of IP tools in this regard is crucial in the attempt to "effectively de-linking" export prices from the commodity-pricing mechanism and linking them to the price of fine coffees in retail markets.[384] The commodity-pricing mechanism focuses on the price of coffees based on the tangible values of the product. IN fact, the traditional business strategy focuses on this element which is all about increasing the production of commodities and establishing new processing or manufacturing plants.[385]This strategy is still in place in developing countries, which are largely dependent on agricultural products.[386] In an effort to be competitive in the market, producers in developing countries have continued to increase the supply of goods. However, the decline in prices paid to producers from developing countries has been especially evident in the agricultural sector, where commodity prices have fallen over the last 30 years.[387]"A recent upturn in some agricultural prices has been seen because of conversion of acreage to crops as a source of ethanol,

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* Deputy Secretary-General of COMESA

[382]See Mengistie *supra note* 317,p.30

[383] *Ibid* p.30-1

[384] *ibid*

[385] See Light Years IP(LYIP), Distinctive Values in African Exports, 2008 p.9

[386] *ibid*

[387] *ibid*

but this increase is unlikely to hold. Oversupply and low prices can be expected to return and continue in the long term with the use of high-yield industrial agricultural methods worldwideö.[388]

The world has now evolved from this strategy towards integrating management of IP assets, which is now a days not a discretionary function.[389]IP assets are valuable assets that can be utilized to increase competitive needs and realize business objectives and so should be legally protected and efficiently utilized. This explains the economic success established by developed states in relation to the emphasis given to the importance of intangible business assets and the apparent lagging among the developing ones.[390]

A research conducted recently has revealed that in recent decades the intangible value of products in developed country markets has overtaken the physical value as the main source of corporate income. It subjected 500 companies that are deemed to be standard and poor and the result shows that, õIn 1982, 62% of the market value of these companies could be attributed to tangible assets and 38% to intangibles. By 1998, only 15% of their assets were tangible, while 85% were intangibleö.[391]

The specialty coffee products of Ethiopia certainly possess an intangible assets as well. Itøs most common to think of IP in relation to creative products software, music, or literature, for example. But physical products, including agricultural products and manufactured goods, also have intangible value, such as their uniqueness, high quality, or design. When it comes to the Ethiopian fine coffees, the world agrees they are among the best tasting coffees. However, the significantly high retail prices for these coffees were being enjoyed by foreign coffee distributors and retailers, while the producers were compensated at very low levels, which is around5-10% of the retail prices.[392]

The first aim of the initiative which is ensuring Ethiopiaøs ownership over the valuable coffee designations that represent the commercial reputation and goodwill of its fine coffees recognizes

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[388] *ibid*

[389] *Ibid* p.5

[390]*Ibid*

[391]*Ibid* p.4

[392] *Ibid* p.9

the intangible element of the product. Furthermore, it lays the legal basis on which the returns of this element can be realized. Appropriation of ownership of an IP tool to protect this intangible element is the first step. Then this will lead to the second objective, which the writer considers as the most important and ultimate goal of the initiative. Attaching the value of intangible assets of the fine coffees into the whole valuation process of the product can actually increase and secure a viable income for Ethiopian coffee producing farmers. So, instead of just relaying on the tangible part of the product, incorporating the uniqueness and high quality of the fine coffees that resulted in huge reputation around the world, will boost the prices over the market. The initiative aims at protecting the fine coffee brands through trademarks and increasing brand value in cooperation and partnership with coffee companies. This arrangement is important for branding of the product and increase consumer recognition which directly relates to the price of the brand value. The value of a branded product in retail markets is associated with the price paid by the retail consumer. A study made by Light Years IP has shown the impact of branding and increasing consumer recognition as follows,

ñIn May 2004, for example, whole bean *Yirgacheffe* is sold in independent coffee shops at retail prices in the range of $9-12 per pound. These shops buy the coffee at around $6 per pound. Allowing reasonable margins of roasting and distributing should lead to an Ethiopian export price related to this retailer-buy price, perhaps in range of $3.00-4.00 per pound. This would mean that the export price would reflect some of the intangible brand value of the Ethiopian Specialty and Gourmet Coffees. A move to 15% of retail prices means hundreds of millions of dollars of export income and greater security income.ò[393]

Linking the export price to the retail market is economically important for several reasons. The first hand move towards branding the products taking advantage of the reputation present can lead to an increase in price in the retail market.[394] If it is possible to build IP asset protection and management capacity, which is the third objective of the initiative, the increase of prices in the

[393]See Mengistie *supra note* 317 p.31

[394] *ibid*

retail market can lead to increase in export prices. It is estimated by Oxfam trademarking Ethiopia's coffee names brings the country an earnings of $88 million a year.[395]

By managing chain of the stakeholders in the market, in particular the farmers (producers), the middlemen and local exporters, this increase in export price can make a difference in the amount of cash to be earned by the farmers. This in turn motivates the farmers to improve production and enhance quality of coffee, thus ensuring a sustainable supply if better quality and increased volume of fine coffees in the ever growing specialty market. The benefit of such strategy not only touches Ethiopian poor farmers, which have major impact poverty alleviation, but also meets the needs of coffee importing and distributing companies as well as consumers. The importing and distributing companies can secure marginal returns on the branded fine coffees that come with better recognition among consumers and increased quality of the product. The consumers, on the other hand, benefit from increased satisfaction of consumption of coffees with better quality and increasing supply.

3.2.2. Trademark Applications and Titles Granted

In an effort to realize the Ethiopian Fine Coffee Designations Trade Marking and Licensing Initiative, a Stake Holders Committee has been established which consists of leaders of coffee-producing cooperative unions, private coffee exporters, associations as well as representatives of relevant government bodies.[396] This Committee was entrusted, inter alia, to conduct a study to identify the intangible values of Ethiopian fine coffees, analyze the market situation and identify the best IP and business strategies. Extensive consultations were carried out inside and outside Ethiopia with the stakeholders, key partners and experts in the field.[397] The study revealed that there were a number of coffee designations that represent the goodwill and reputation of Ethiopia's fine coffees. Due to resource constraints, the need to give priority to certain brands was evident. The committee decided that three coffee brands; namely *Harar/Harrar, Sidamo* and *Yirgacheffe* be protected as IP assets in major coffee import destinations and countries that are deemed to be

[395] See Mezlekia *supra note* 370

[396]See Mengistie *supra note* 317 p. 31

[397] *ibid*

strategic importance or in future markets through use of trademarks[398]. Export potential, number of stakeholders whose lives will be impacted by the program, greater consumer recognition and demand from foreign markets were the criteria used in the selection of the designations.[399]

The *Harar* coffee grows in Arsi, East and West Hararge of the Oromia Regional State.[400] While *Sidamo* coffee grows in Sidama, Gedeo, Borena, Kerca/Guji, Kembata and Welayta districts of the Southern Ethiopia Peoples and Nationalities Regional State and the Oromia Regional State.[401] *Yirgacheffe* coffee grows in Gedeo, some parts of Galena, Abeya and Wenago districts of Southern Ethiopia Peoples and Nationalities Regional State.[402]

The Ethiopian Intellectual Property Office(EIPO) has filed applications for trademark registration of the three coffee designations in 36 countries- Australia, Brazil, Canada, China, India, Japan, the European Union(add foot note), Saudi Arabia, South Africa and the US since 2005. These countries were chosen based on the fact that they are either major export designations for the fine coffees or are deemed to be markets of the future.

To date the EIPO has registered trademarks for *Sidamo, Harar/Harrar* and *Yirgacheffe* in 34 countries and a number of other applications are ongoing. In the US, the European Union, China, India, Saudi Arabia and Canada, the three coffee designations have been registered. Registration certificates have been secured for two of the designations- *Yirgacheffe* and *Sidamo* in Japan. In Brazil, Saudi Arabia and South Africa, applications have been processed and invitation of opposition has been published. While in Australia, China and India applications are pending.

In the interest of analysis on cost-benefit analysis to be given on the fourth chapter of the paper, some of the challenges encountered and measures taken in the course of the trade marking process is discussed below.[403]

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398 *Ibid* p.32

399 *ibid*

400 *ibid*

401 *ibid*

402 *ibid*

403 See *Ibid* p.35-6

i. As regards the application of Sidamo in the US, the process initially faced a problem due to an earlier application by Starbucks Corporation, which is an application for trademark registration of *Shirkina Sun Dried Sidamo.* And according to the countryôs existing trademark law and practice, later application is unacceptable where there is an earlier application for the same or a confusingly similar mark.

“The Starbucks Dispute”

Starbucks had a strategy of using Ethiopiaôs specialty coffees, specifically the *Sidamo, Harar* and *Yirgacheffe* coffees as an ingredient brand.[404]ñIngredient brands are brands that are used as one component ñingredientò of another branded product or service.ò[405]The ingredient used in the cups of coffee sold is revealed to end-consumers through some sort of distinctive mark like name or logo so that the inclusion of the ingredient increases the perceived value of the offering.

Prior to the application made by Ethiopia to register Sidamo in the US, Starbucks already applied for trademark protection of the name *Shirkina Sun Dried Sidamo* in the US as well as in several other markets including Australia, Canada, and the EU. As a result, Ethiopiaôs application at the United States Patent and Trademark Office (USPTO) was suspended and the need for negotiation with this company was evident.

Unfortunately the first attempt made by Ethiopia to convince the company to withdraw its application so as to facilitate the process of application made by Ethiopia was unsuccessful. The company ignored repeated requests made by Ethiopia to cooperate in resolving the matter. Ethiopiaôs strategy and position had been to persuade Starbucks to drop its application and for it to sign royalty-free licensee agreement while Ethiopia being the owner of the trademark. When Ethiopia offered the royalty-free licensee agreement, the company did not give in but announced some concerns about the license agreement and the initiative as a whole. The company claimed that the initiative is not going to benefit the country or its farmers. Starbucks' senior vice-president of coffee procurement, Dub Hay, said "This particular scheme is going to hurt the Ethiopian coffee

[404] See Douglas B. Holt, “Brand Hypocrisy at Starbucks” available at http://www.sbs.ox.ac.uk/starbucks/starbucks.htm, last accessed 26/08/2009

[405] *ibid*

farmers economically."[406]He claimed that the Ethiopian government was being badly advised, and the move would price them out of the market. He also said the trademark approach would also reduce demand for the country's coffee. Though this position was shared by *The Economist*, neither presented an analysis to prove it.

This suggestion was entertained fiercely by Ethiopia and its allies, Oxfam responded by saying that Starbucks is in no position to dictate Ethiopia how best to sell its products.[407]The company carried on its efforts to discredit Ethiopiaȇs initiative by claiming that the trademarking initiative has no legal basis and certification marks are better options than trademarks. The company claims that the Ethiopian brands cannot be trademarked because they are actually generic terms for coffee rather than distinctive and valued marks.[408] But this argument is a fallacy given the fact that the company itself uses the names in dispute as an ingredient band.

Meanwhile, an effort was made to make the international community aware of the companyȇs position and its unfairness to poor Ethiopian coffee farmers by different pressure groups. The role played by Oxfam and the Diaspora was commendable. This public relation campaign was participated by the US Congress and members of Parliament in the UK, well known individuals like Mary Robinson, the former Irish President, international NGOs, academics, students and the media. Oxfam America, managed to generate about 90,000 complaints including from Starbuckȇs own consumers within few months.[409]

The wide public pressure and extensive press and media coverage of the dispute, begun to bring meaningful influence on the Company that is known for taking great pride in its ethical sourcing policies. Western consumers are sensitive to corporate social responsibility and the Companyȇs business could be in jeopardy if the consumers believe it is sucking poor farmersȏ blood to make millions. ȃAnalysts say, the campaign is turning the public dispute over the coffee names into

[406] See Starbucks in Ethiopia coffee row, available at http://newsvote.bbc.co.uk/mpapps/pagetools/print/news.bbc.co.uk/1/hi/world/africa/6086330.stm accessed on 26/08/2009

[407] *ibid*

[408] See Holt, *supra note* 96

[409] *ibid*

questioning the values behind the Starbucks brand, which has so far been seen by the educated and modern class of the society as ethical, thereby shaking the bottom line.ö[410]

In 2006 December, Starbucks CEO Jim Donald and other company executives travelled to Addis Ababa, Ethiopia to meet with the Prime Minister but ended up in no agreement.[411] Then, in February 2007, Ethiopia and Starbucks put out a joint press release where the company said it would no longer oppose Ethiopiaôs trade mark applications, which it has aggressively done, and denied. However, no agreement was reached with the company maintaining it position of refusing to sign the licensing agreement. [412]õCritics viewed this as a public relations victory for Starbucks and criticized the government for signing on a joint press statement while there was no agreement on the fundamental trademark issue.ö[413]

The two parties met on May 1 and 2, 2007 in Seattle Washington, that brought a framework agreement where the company agreed in principle to recognize the trademark ownership of Ethiopia (based on the common law right over the unregistered coffee designations) and enter into a licensee agreement. After series of negotiations, an agreement was signed on June 20, 2007 where the company committed itself to use the trademarked brands, promote them and render technical assistance in building the capacity of farmers to enhance their quality in a form of a farmer support center.

The process of resolution of the dispute brought about positive side effects for Ethiopia because; it hugely publicized the brands increasing its recognition among global consumers. The licensing agreement finally signed has also increased the credibility of the initiative and boosted interest among other companies in signing a licensee agreement.

ii. In Europe, a Germen company called Neuform opposed the application of Sidamo, claiming that its registration would cause confusion with õSesamoö, which had registered earlier. The facts that the name õSesamoö is different from Sidamo and it is

[410] See Wondwossen, "Coffee Politics: Timeline" available at http://poorfarmer.blogspot.com/2006/11/starbucks-point-of-view.html accessed on 26/08/2009

[411] *ibid*

[412] *ibid*

[413] *ibid*

used for different classes of goods were presented in the contact made with the company. As a result, the company withdrew its opposition and a Certificate of Registration was granted to Ethiopia in February 2008. [414]

iii. Harar was rejected in Japan on the grounds that the trademark had already be registered and owned by a Japanese company, the UCC Ueshima Coffee Company.[415] In a contact made with the company to resolve the matter peacefully, Ethiopia offered a royalty free license agreement and in return asked the company to assign the right over trademark. The company did not accept this offer, but instead proposed to waive its rights against Ethiopia, thereby letting it export and sell Harar coffee using the mark Harar. Ethiopia, did not accept this proposal explaining that it is the rightful owner of mark to which the company agreed later. While a preparation was being made for reapplication, Ethiopia learned that the All Japan Coffee Association had filed a petition for the invalidation of the titles granted for Sidamo and Yirgacheffe.[416] As a result Ethiopia focused on negotiation with the Association demanding withdrawal, which was unsuccessful. Then Ethiopia submitted arguments supported by evidence on the legal grounds. The Japanese Patent Office recently suspended the case to allow further negotiation.[417]

iv. All applications were rejected on grounds of lack of distinctiveness in Australia. Though the project team has submitted rebuttal against the decision, no final decision had been given.[418]

3.2.3 Licensing of the Trademarked Designations

Though acquisition of trademark protection is deemed to the first step, it is nowhere near the ultimate objective of the initiative. The successful registrations of the trademarks discussed above secure Ethiopiaǿs right over its IP assets whereby exclusive ownership is granted. To reach the goal of benefiting coffee growers and small traders in Ethiopia, a licensing program had to be

[414]See Mengistie *supra note* 317

[415] *ibid*

[416] *ibid*

[417] ibid

[418] ibid

started. Consequently, a royalty-free licensee agreement has been offered to interested parties since 2006.[419]The licensee agreement was designed to be royalty-free because the goal of the initiative was not to generate revenue for the government but to help coffee producers and exporters by attracting maximum number of parties to the licensee agreement. The licensing process is destined to create a channel connecting all the parties in the marketing of the trademarked fine coffees of Ethiopia. It will link the domestic producers and traders with international importers and retailers around the world.

The main purpose of the licensing program has to do with building and capturing the reputation and goodwill of the branded specialty coffees.[420] The licensing agreement demands the distributors of the coffees to use and promote the brands in their marketing. This is expected to increase consumer recognition of the specialty coffees. The licensing agreement also demands reliable supply in terms of quality starting from the producersô level of the chain of marketing. This, coupled with increased consumer recognition is expected to increase the demand for Ethiopian specialty coffees. The international coffee market, as discussed earlier in this chapter is characterized for the low supply and high demand for specialty coffees. This already existing feature of the market is made by the licensing strategy even more favorable for the initiative to take advantage of it in serving it ultimate goal; strengthening the bargaining power and raising income for coffee producers and exporters of Ethiopia. In the long run, it is expected that increased consumer recognition will build a reputation and goodwill for the specialty coffees. This goes along with an increase in demand for the branded specialty coffees of Ethiopia. At this point the local producers and exporters will find themselves in a better position to demand higher prices for their supply. Once Ethiopian coffee producers and traders reach this level, the future will hold an even better prospect. If the producers benefit from improved income, it could result in a sustainable supply of enhanced quality fine coffees to meet the needs of the coffee companies and consumers. This helps the coffee companies in the chain of distribution earn more revenue putting them in better position to pay more for the coffees they get form the local producers and exporters.

[419]See Mengistie *supra note* 317 p. 37

[420] *ibid*

This goes on and on creating a win-win situation for everyone involved. The coffee producers and traders in Ethiopia can secure increased income and better living conditions for themselves and their families. Coffee, being the backbone of Ethiopiaœ economy, will create a crucial impact on the economy of the nation as a whole. The coffee companies involved in the distribution will also benefit. The better supply of the fine coffees, in terms of both quality and quantity coupled with the increased demand is the merit they can get out of the situation. Though they are expected to pay higher prices for their suppliers, their marginal revenue is still expected to rise. The consumers are the other parties expected to benefit from it. The licensing strategy brings about better qualities and supply of the fine coffees they cherish.

A license agreement consisting of 14 articles has been formulated. Deliberate measures were taken to make the agreement appealing to coffee importing, roasting and distribution companies.[421] One of which is making the terms of the agreement simple enough to minimize costs companies could incur on seeking the assistance of lawyers to understand their rights and obligations. In addition, the agreement secures a license to use the brands for five years and it is stipulated to be extended automatically unless one side decides to terminate the agreement. Besides, the law governing potential disputes over the agreement is made to be the law of the country in which the company operates. This has been done to ease the burden on the licensee and create a confidence on the process.

The program has a goal of concluding 150-200 license agreements and to date concluded 110 agreements with coffee importing, roasting and distribution companies in Europe, Japan, North America and South Africa.[422] From Ethiopiaœ side, 47 private exporters and three cooperative unions have signed licensee agreements.[423] The coffee companies involved in the agreement have created a network of distributors to work closely for common objectives and trace infringement cases. A joint forum which brings together licensed companies and the Ethiopian stakeholders has been set up. This joint forum has an objective of addressing the concerns of the licensed companies as to the sustainability if supply in terms of quality and quantity of the fine coffees and the concerns of the Ethiopian stakeholders related to the use and promotion of brands and price of the fine

[421] *ibid*

[422] *Ibid* p.38

[423] *ibid*

coffees. On February 14, 2007, a joint forum involving licensed distributors from Canada and the US as well as, Ethiopian coffee growers, exporters and representatives of the relevant government bodies was held in Addis Ababa for the first time.[424] The forum carried out subsequent two meetings and committed to work together on a future strategy aimed at developing markets and raising awareness of Ethiopia specialty coffees.[425]

Form institutional point of view, licensing of the trademarked coffee brands is managed by Ethiopian Intellectual Property Office (EIPO), LYIP and Ethiopian embassies abroad.[426] EIPO also established a Licensing Management Unit destined to facilitate coordination with licensed distributors, follow up decisions made in the forum and manage and promote the use of Ethiopian fine brands through licensing arrangements.

3.2.4. Branding of Trademarks

Once the trademarks were registered in the various IP systems, Ethiopia implemented a branding strategy. A UK-based branding company named Brand House was hired to create simple, memorable and recognizable brand identities and an umbrella brand for Ethiopian Fine coffees.[427] The umbrella brand is designed with the aim of being used together with each of the three brands and to be used with the designations of some of the coffees that could not be registered due to resource constraint and other fine coffees that may be identified in the future.[428]

The umbrella brand and the three brands were approved by the Stakeholders Committee in February 2008 and were unveiled at a joint form held in Minnesota, US as shown in the figures below.[429] A guideline was developed for the purpose of ensuring uniform use of the brands by the licensed distributors, facilitating brand promotion and increasing the brand value of the fine coffees.[430]

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[424] *ibid*

[425] *ibid*

[426] *Ibid* p. 39

[427] *Ibid* p.40

[428] *ibid*

[429] ibid

[430] ibid

Figure 1. The Umbrella Brand

Figure2. The Individual Brands

3.2.5. Analysis of the Choice of Appropriate Intellectual Property Right for the Protection of the Fine Coffees

The forms of IP that can be utilized for protecting origin based products are either using trademarks or GI in the form of the sui generis system developed in the European community for instance or in the form of certification marks applied in countries like the US. The international trend for protecting single origin coffee is using GI, trademark or a combination of both. Ethiopia has the potential to get the three fine coffees either in the form of GI or trademark. One of the reason stated by the Stakeholderøs Committee for not going with GI is that the ñthe products are not confined to one locality but grow in different localities that are known by their own namesò. [431] But this is no good reason to give up on GI because, TIRPS agreement, the most extensive international agreement dealing with GI, considers a geographical indication to not necessarily mean the actual name of the place where the product is originated.[432] For instance, the name óSidamoô can be used to represent all the places where the type of Sidamo coffee is produced.

Deciding which is best for protecting specialty coffee should not be made objectively. It should be analyzed on a case by case basis depending on factors like, the country of originôs economy, legal and institutional structure of the coffee sector, the international market and etc. as regards the three fine coffees of Ethiopia, the Initiative opted for using trademark regime whereby the names could be registered as trademarks, brands could be developed, and licensing is carried out with intentional roasters and retailers. But was trademark the best IP tool for protecting Ethiopiaôs three fine coffees? This section of the chapter makes an analysis considering factors like the nature of the trademark and GI, market control, possible marketing options, guarantee of quality of the product, enforcement, costs and time needed to establish the system. Each of these will be discussed below.

3.2.5.1.The Nature of Trademark and GI

Trademarks and GIs have their own unique advantages that comes with legal protection. The first point is the scope of protection given by a trademark system and a GI system. GIs are known to have a more extensive protection against imitation, translation, adaptation evocation etc. trademark system generally protects its subject form anotherôs use of similar or identical mark with a consideration of likely of confusion among the consumers. But GIs have a broader protection against adaptations of a protected GI and adding words like ñstyleò or ñblendò.[433] This is the advantage PGIs have over trademarks or certification marks.

[431] See Mengistie *supra note* 317 p.32

[432] See a discussion in chapter two under GI

[433] A detailed discussion is found under chapter two of the paper dealing with GI

It has been argued that the other advantage of GI that comes with its inherent nature is the 'relative impersonality' of the right, i.e. the protected subject matter is related to the product itself.[434] The protection given by GI is not dependent on a specific right holder but it is related to a certain product and its attributes. In other words GI gives the IP right to the producer which gives local producers an opportunity to control their product and make profit.[435]It will give a chance for the producer to secure a greater link to the buyers and consequently earn a better reward avoiding externalities. But if a trademark is used to protect an origin based product, it is the government that could be subject of the process. The route taken by the Ethiopian Fine Coffee Designations Trade Marking and Licensing Initiative does not make the producers of the coffees owners of the intellectual property rights. These trademarks are registered to the ñNational Government ETHIOPIAò not to the individual farmers who produce the coffees. This means, it is the government that decides with whom to conclude a license agreement, decides on the conditions etc. Of course, one could argue that this should not be an issue because the government represents the people. Nevertheless, this route risks the rewards the producers of Sidamo, Harrar, and Yirgacheffe coffees deserve be compromised with Ethiopian politics, government corruption and bureaucracy.[436] Philip substantiates his argument by discussing the Jamaican Blue Mountain Coffee experience. GIs and certification marks are the IP forms used by Jamaica to protect Jamaican Blue Mountain Coffee. ñThis was done because a GI provides a specific link between the coffee grown and the Blue Mountains of Jamaica. Some of the benefits realized because of this are stronger brand protection, stronger protection of price premium, more affordable protection, a greater ability to fight counterfeit products, consumer protection, and preservation of indigenous products and processes.ò

But one of the advantages Ethiopia has for choosing trademark over GI is, trademark gives an opportunity for the country to advance and modernize its production method. GIs do not just relate to the quality of the product but also to human factors like the methods and practices used to

[434] Philip Matthews, "Increasing Revenue in Developing Nations Through Intellectual Property Rights: Why a Diversified Approach to Intellectual Property Protection with a Focus on Geographical Indications is the Best Method" *Buffalo Intellectual Property Law Journal,* Vol7, No.2 p.216

[435] *Ibid* p.217

[436] *ibid*

produce the good. Apparently, the flavors of Ethiopian coffee are essentially attributable to the area. Had Ethiopia opted for a GI or a certification mark, the human factor will definitely be an element. Ethiopians have been growing and exporting coffee for many over a century. The production is carried out in the same plot of land for generations and there is a tendency to use and pass on information about the production process based on experience and adaptation to a local culture and environment.[437] This route would not have given a good opportunity for Ethiopia to use modern technology in the process of coffee production. If Ethiopia intend to do so, seeking or approving amendments to standards described in its internal GI certification standards will be necessary.[438] But the trademark protection is solely dependent on the quality of the coffees so that Ethiopia wonǿt be stuck in the past but advance the desperately needed agricultural sector.

3.2.5.2. Market Control

It has already been discussed that trademarks are IP rights that can be assigned and alienated. In contrast, GI do not have a single proprietor and therefore cannot be licensed. Due to this, trademarks appear to be a better option to control the market through licensing. Through licensing, greater number of business in the world can use it and therefore adding value with brand recognition. Market control is a factor the Initiative took account when going for trademark.

There is an argument that this factor does not outweigh protection of GI through certification mark. Even though a GI certification mark could not be sold, the regime is structured much like trademark licensing system.[439]The certifier set terms of standards to control all those using the mark. Just because a user meets the standards set by the certifier, it wonǿt count as a legitimate use. Unauthorized use can be prevented by the owner of the certification mark on the ground that it could create confusion as to the source of the goods.[440] Therefore, the certification mark system is similar to regular trademarks where the owner may authorize the use of the mark and sets the

[437]Mary O'Kicki, "Lessons Learned from Ethiopia's Trademarking and Licensing Initiative: Is the European Union's Position on Geographical Indication Really Beneficial for Developing Nations?" *Loyola University Chicago International Law Review* Vol.6:2 p.326

[438] *ibid*

[439]See Lennart Schüβler *supra note* 217 p.168

[440] *Ibid*

conditions or terms of use. Such authorization, like trademark licensing can be made subject to fees to be paid to the certifier. This way a certification mark may incorporate agreements that can be used at all stages of the distribution chain making it an adequate instrument to control the market.

In contrast, the *sui generis* system of protecting GI does not gives an opportunity to transfer the right. In this respect, it may not be the best instrument to control the market. Yet, Ethiopiaęs licensing agreement is royalty free and the focus is more on the marketing clause. The prime objective is to enhance the value of the brands by making the licensee be engaged in marketing, promotional and advertising activities. So it can be argued that the sui generis system could be a better tool because it has a more comprehensive legal protection than trademarks while the promotional and marketing concern is compensated by other strategy. The Colombian strategy of implementing IP rights for its coffee is worth mentioning. The Colombian coffee, ñCafé de Colombiaò is protected in the EU as a PGI as of September 2007.[441] Meanwhile, the marketing strategy adopted included the establishment of various logos. For instance, the logo of Juan Valdez which consists of a fictitious character representing the typical Colombian coffee farmer was developed in 1981.[442] Its purpose was to indicate that the brand consisted of 100 percent Colombian coffee as confirmed by the national coffee standardization and quality control body called the FNC. In this manner, the secured PGI protection coupled with the logo that has been well established in the market, it is able to capture the comprehensive protection advantage of PGI and the market control benefit of the logos used.[443]

3.2.5.3.Marketing

Marketing is a crucial consideration for a single origin product involved in the international market. To control the market, the ñmaterial qualityò as well as the ñsymbolicò attributes of the product should be promoted to consumers.[444] This ñsymbolicò attribute aspect of marketing of a

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[441] *Ibid* p.165

[442] *Ibid* p.164

[443] *Ibid* p.168-9

[444] *Ibid* p,169

single origin product is about letting consumers know the origin of the good and its inherent attributes.

In this respect, trademarks are found in a better position than GIs, because the trademark licensing agreements lets the licensees be committed to carry out marketing activities.

Ethiopia, being a poor country, it does not have much option, but depend much on the promotion of the distributors, retailers and roasters of its fine coffees.[445] Ethiopian coffees are already famous in the international market. For instance, Starbucks had already been using the names of Ethiopian fine coffee together with coffees of other origin. So it is in the interest of the licensees to stress the origin of trademarked Ethiopian coffees. There is an already built reputation of the coffees and the trademark license agreements paves a way to develop it even more to the point where the local producers can demand maximum prices.

3.2.5.4. Guarantee of Quality

This is another aspect that GIs get an upper hand over trademarks. GIs are unique in the way that they do not only guarantee origin, but also a certain quality and production process. This is unarguably in the interest of consumers as the quality corresponds to a standard set. It could also be in the interest of roasters and producers. Roasters will be assured of a raw material with relatively stable characteristics thus making it unnecessary to reformulate their blend.[446] GIs can reduce costs of quality control at marketing level which can give a chance for producers to demand more prices form distributors and roasters.[447]

3.2.5.5. Enforcement

Enforcement of GI is believed to be a lot more complicated than trademark. An owner of GI has an obligation of making sure that the goods supplied in the market carrying the indication complies with the required standards. These standards include the material quality of the goods as to for example their raw materials, the fact that the goods actually came from the indicated geographical origin, the fact that the production process corresponds to the traditional practices peculiar to that

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[445] *ibid*

[446] ibid

[447] ibid

place (if this human factor is an element of the GI) etc. at a national level a central body destined with carrying out these responsibilities is necessary.

Besides, the international recognition for GIs is significantly varied. So it would be difficult for a developing nation with limited resources to register and promote GI internationally than it would using trademark.[448] Though each county has its own trademark regime, registration is more achievable which create a better advantage for enforcement.

Enforcement of GI for Ethiopian coffees is difficult; in a poor country where an estimated 600,000 farmers in remote areas grow specialty coffees and distribute their coffee themselves by carrying it in bags on foot for many kilometers.[449]

In fact, there are developing countries who managed to protect their specialty coffees using GI and become successful. The Colombia and Jamaica are good examples. We are going to discuss the two experiences in respect of enforcement and finally try to evaluate the corresponding situation in Ethiopia.

Jamaican Blue Mountain coffee is a specialty coffee that its roasted form is priced about $50 per pound. The 2011 data shows that there are 7,600 coffee farmers in Jamaica where 92% of them working on five acres of land or less.[450] As already mentioned, the Jamaican Blue Mountain Coffee is protected as a GI internationally. The major institutional unit used for enforcing this IP right is the Coffee Industry Board of Jamaica which was formed in 1948.[451]ñThe goals of this board are to develop the coffee industry, promote the welfare of industry workers, and make recommendations to the governmentò.[452]The board has been actively engaged in the nationôs coffee production and marketing. Form the primary stages of production it distributes coffee plant seeds to farmers and registers and monitors nurseries. It also gives training for coffee farmers and processors so that their products meets the appropriate quality and process standards.[453]The board regulates the

[448] See Matthews *supra note* 434 p.222

[449] *Ibid* p.170

[450] *Ibid* p.218

[451] *ibid*

[452] *ibid*

[453] *ibid*

processors, dealers within the nations and licenses. Once the coffee is ready to be exported, the board takes custody of the coffee and carries out inspection by performing residue testing of coffee. Then it certifies and grades the coffee and packs the coffee for export. The export is done by the board itself. All these processes demand costs, which is covered by taxes collected from each major coffee production process i.e. at the stage the coffee is regarded as unprocessed coffee to where it becomes processed coffee and then a roasted coffee.[454]

The Colombian coffee experience also has a central body called the National Federation of Colombian Coffee Growers (FNC). It was founded in 1927 by a group of Colombian coffee growers with and initial purpose of assisting each other.[455] The FNC is characterized as a non-profit, non-political and democratic cooperative which has an ambition of stabilizing the market for Colombian coffee and undertake research, social assistance and promotion programs.[456]The FNC, under government supervision and financial support, has managed to rescue coffee growers form falling coffee prices by buying the crops, storing them and putting them on the market again after they have risen above a certain price minimum.[457] It also guarantees the farmers to always purchase their coffee. In contrast to the Jamaican coffee sector, the Colombian coffee sector is characterized by a dominant plantation system. After the Colombian coffee gained GI protection nationally and internationally, the FNC played a major role in marketing the product. The plantation system present in the country created a good opportunity for farmers to develop their negotiation power by being aware of the price and eliminating the externalities created by middle traders in the nation. The FNC provides the necessary information about the coffee price to the producers and gives them a chance to sell the coffee either to the market directly or the FNC.[458]

Ethiopia, as discussed in section 3.1.1 of this chapter, has already created a coffee quality control and marketing system in 2008. Under this system there are coffee inspection centers at major coffee producing regions entrusted with an obligation of inspecting coffee beans as to material quality, certifying and grading the coffee product before it is transported to export stage. This

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[454] *ibid*

[455]See Lennart Schüβler *supra note* 217 p.164

[456] *ibid*

[457]i*bid*

[458] *Ibid* p.165

institution corresponds to the Coffee Industry Board of Jamaica and FNC of Colombia. The existing small scale nature of production incorporating large number of farmers creates a problem for GI enforcement. For one thing, local speculators and exporters may retain most profit from the coffee sale. And for the other, this long internal chain of distribution makes the producers either unaware of the real price or leaves them with no option but sell the coffee to a local speculator at a low price. In short, this small scale system, unless coordinated in some way, makes a GI protection a toothless lion. There is no way that the farmers can have a good bargaining power in the international market even though a GI protection is granted. The coffee cooperative unions formed since 2002 can be utilized to remedy this problem.

3.2.5.6. Costs and Time Factors

GI development and enforcement is expensive. The cost of building a national system for quality control and certification is considerable. Organizing coffee producers to business units is another consideration that is inevitable. Expenses also result because of the costs associated with litigation, dispute settlement, and negotiations. GI protection without marketing is meaningless, which adds to another cost to the checklist. Further costs and administrative burdens are associated with preventing counterfeiting.[459]ñWithout appropriate legal protection systems and their enforcement, the free-riding incentive is quite high. The existences of a GI for a particular food means there will be even more incentive to counterfeit protected products.ò[460]But trademark enforcement do not require a certification body and the registration alone is less expensive

The above discussed experiences of developing countries managed to be successful using GI because they have an already built and developed central system for quality control and certification institution. But for Ethiopia, this system is not well developed, though not nonexistent.

The above discussed home works of a GI beneficiary makes the route a long term strategy, compared to trademarks. This can be taken as a reason for Ethiopia to opt for trademark given the countryĉs desperate need to rescue its large number of coffee farmers form poverty. In addition,

[459], Basu, A. K., N. H. Chau, and U. Grote,(2003) " Eco-labeling and Stages of Development" *Review of Development Economics*, Vol 7 No.2 p. 106

[460]*ibid*

most GI systems require a national GI law and recognition of the product as a GI by the national law. Given Ethiopia has not promulgated its own GI law; this route is going to take some time.[461]

3.3. Using GI to Protect other Ethiopian Goods

This section of the chapter explores other items Ethiopia produces that have a potential to be protected using geographical indication. Given the fact that the country has not yet promulgated legislation for GI and the international legal protection and national laws of potential importers demands national system to grant protection as GI, the suggestions provided here may seem obsolete.

3.3.1. The Ethiopian Draft Geographical Indication proclamation

The Geographical Indication Proclamation is currently in drafting stage. Though the draft law is still being studied and revised, there is a draft document the writer managed to get from the Ethiopian Intellectual Property Office.[462]

The draft law has six parts.[463] The first part is the general provisions that includes the name of the legislations, definitions of terminologies used in the legislation and scope of application of the law. The second part deals with acquisition of geographical indication right and registration. The third part deals with monitoring of use of geographical indication. The fourth part is about modification, renewal and termination of geographical indication registration. The fifth part deals with enforcement and the sixth and last part is miscellaneous provisions.

It is apparent that the draft law presented for this discussion is incomprehensive and has some errors owing to the fact that the drafting process is not over yet. The mode of acquisition of GI right happens to be upon registration and issuance of certificate.[464] The right over a geographical

[461] An interview made at the Ethiopian Intellectual Property Law Office, information was collected that a draft GI law has already been prepared and is being ready to make public discussion over it.

[462] The draft law is attached as an annex

[463] The draft law is in Amharic language. The writer attempted to translate the relevant parts of the legislation for the discussions made.

[464] Article 4 of the draft geographical indication proclamation

indication is allowed to be owned by natural persons, artificial persons or associations of press.[465] Any word, sign or image is illegible for registration save for some excluded ones like generic names, geographical indications already registered, signs already registered as trademarks etc. [466] A person(s) wishing to get a protection of geographical indication must file an application. The law provided for the mandatory contents of such application and includes applicantôs full name and address, the geographical indication demanded to be registered, map of the geographical origin, the name of the geographical origin, the goods over which the geographical indication is intended to be used, the association of the goodsô quality, reputation or special characteristics to the geographical origin, geographical indication use monitoring plan and the originôs environmental protection plan.[467] After the examination of the application and opposition procedure, the geographical indication could be registered and the applicant will be the owner of the geographical indication and has an exclusive right to use it and give permission to third parties to use it.[468] Once a certain geographical indication is registered and given protection, any producer, distributer or persons carrying out similar activities, of a product that could be protected by that geographical indication could be given the right to use the geographical indication.[469] This can be done through an application filed for such purpose before the Ethiopian Intellectual Property Office. One of the contents of such application is a certificate of permission or rejection from the owner of the GI registration. According to article 15(5) there is a possibility for the office to reject the denial of permission to use by the owner of registration and accept the application.[470]

3.3.2. Ethiopian Goods that are a good candidates for protection of geographical indication

Ethiopia is a country known for its immense biodiversity and habitat. This is the major factor for the fact that it is able to produce diverse agricultural products in different parts of the country with diverse climate and geographical status. It is believed that the country has a huge potential to use

[465] See article 2 sub 7 of the draft proclamation

[466] Ibid article 6&7

[467] Ibid article 9

[468] Ibid article 5

[469] Ibid article 15

[470] This is similar to the concept of compulsory licensing in the trademark law

GI to protect most of its agricultural products.[471] The major agricultural products consumed locally and exported for international market includes coffee, sesame, pulses flowers and livestock products.[472] Some of the agricultural products the writer believes to have a potential to be protected as GI are discussed below.

- Other coffees like Limu, Nikemte, Jimma, Wollega, Bebeka and Tepi:

Ethiopia is also the birthplace and leading producer and exporter of special varieties of Arabica coffee from Africa. Limu, Nikemte, Jimma, Wollega, Bebekaand Tepi coffees are specialty coffees. The fact that the initiative went for only Sidamo, Harar and Yirgacheffe coffees is not because the rest do not have a potential for IP protection. Other factors like export potential, numbers of farmers and consumer recognition and demand were the basis of the decision.[473] Of course, this has also been done due to the resource constraint the country has. But these specialty coffees do have their own unique qualities attributable to their geographical origin and production process. The proof of this fact is that the coffees are currently identified independently by inspection centers based on which their prices is determined. Coffee being one the major exports of Ethiopia, incorporating all these types under an IP regime could be to the best interest of Ethiopia

- Oil seeds like Sesame and Pulses like soya bean

Ethiopia is one of the top five producers and exporters of sesame in the world.[474]Oilseeds, together with coffee and pulses were the main export of Ethiopia on 2008/09 fiscal year.[475] Sesame varieties mainly from Humera and Wollega were among the worldôs top commodities with 250,000 metric

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[471]Roussel Bernard and VerdeauxFrancoi, *National Patrimony and Local Communities in Ethiopia: Advantages and Limitations of a System of Geographical Indications*, Journal of the International African Institute, Vol. 77, No.1, 130 (2007), at 146

[472]The Reporter, 12 February, 2011, available at http://www.thereporterethiopia.com/ last accessed on June 6, 2011

[473]Mengiste supra note 317 p.31-2

[474]Hirko, SileshiBedasie; The Legal Protection of Geographical Indications in Ethiopia *MIPLC Master Thesis (2010/11)*http://www.miplc.de/research/ Available at SSRN: http://ssrn.com/abstract=2135428 p.47

[475]Fintrac Inc., Ethiopian Export, Economic Data and Trends, Annex-I, Best Analysis-Ethiopia, 2009, p.11

tons being offered for the international market in 2010.[476] Ethiopian sesame, which has a good demand in the international market, is clearly because of its nice quality attributable to its geographical origin which makes it a good candidate for GI protection. The same goes for pulses like soya beans which Ethiopia managed to export to the international market with considerable volume.

- Ethiopian leather

Ethiopia is known to have the largest livestock population in Africa and the leather industry has been traditionally active based on abundance of this resource.[477] It has been one of the major traditional industries together with coffee and garment industries.[478] According to a data by Central Statistics Agency, in 2008/09 fiscal year, export of leather and leather products has brought 578.9 million birr which accounts for 3.3% of the total returns.[479]ñEthiopian product names that have for many years reflected distinctive high-end leather products are Bati Genuine, which refers to thin goat suede, Bati-type and Selallie Genuine, which refers to a special type of hair sheep skins. There is also recognition in the wholesale market of the superiority of Cabretta leather for making gloves, not only for sport but in fashion as well, though many consumers are unaware of the Ethiopian origins. Ethiopian Cabretta leather is distinctive for being soft and yet strong at smaller thicknesses than other leathers making it the best type of leather for golfing gloves, with some retail prices double that of non-Cabretta glovesò.[480]

Ethiopian fine leather is recognized by manufacturers all over the world for its high quality but its consumers hardly recognize its origin and associate it with its quality. Though the price end product is high, the returns to Ethiopian producers are very low. For instance, ñHerders and family sheep owners are receiving around $2 for the skins that will be used to produce one Cabretta golfglove that is both strong and thin, and better than other skins. The exporting sector is obtaining

[476]Muriel Lightbourne, *Organization and Legal Regimes Governing Seed Markets and Farmers' Rights in Ethiopia, Journal of African Law*, Vol.51, No. 2, 285 (2007), at 293-297

[477]The Embassy of Japan in Ethiopia, A Series of Studies on Industries in Ethiopia, March, 2008

[478] ibid

[479]Fintrac Inc., Ethiopian Export, Economic Data and Trends, Annex-I, Best Analysis-Ethiopia, 2009

[480]See Light Years IP(LYIP), Distinctive Values in African Exports, 2008 p.44

$5 for the leather that will be manufactured into the finished glove. Outside of Ethiopia, the glove retails for $25ò[481]

Ethiopian fine leather is therefore the other product that has a huge potential for GI protection and its impact will definitely change the lives of Ethiopian producers.

- Flowers

Flowers are one of Ethiopiaôs export products which have brought 1749.3 million Ethiopian birr in the 2008/09 fiscal year amounting for 9.9% of the total export income.[482] The history of the Ethiopian floriculture industry first started in 1980 when state farms started to export flowers to Europe.[483] The first private farm that started trading flowers was the Ethioflora. The Dutch Auction is the biggest market for the Ethiopian where about 70% of the total volume of Ethiopian rose exports is sold.[484]

Flowers are known to grow well at an altitude above 1100m above sea level.[485] Ethiopiaôs high altitude and conducive climate for flowers gives the flowers an attribute related to their geographical origin. This makes Ethiopian flowers another candidate for GI protection.

- Spices like berbere, ginger

The most produced spice produced in Ethiopia is the chillie pepper, which is usually referred to as ñpepperò or ñberbereò in Ethiopia.[486] Next to that comes, ginger, turmeric, (black)cumin, korerima, Ethiopian cardamom and coriander Sweet Paprika pepper presented in descending order.[487]Ginger being a typical ñcash cropò is the largest exported spice. These spices, specially, the chillie pepper produced form a place called ómarekoô in Ethiopia, and Ethiopian Ginger are

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481 *ibid*

482 Fintrac Inc., Ethiopian Export, Economic Data and Trends, Annex-I, Best Analysis-Ethiopia, 2009

483 The Embassy of Japan in Ethiopia, A Series of Studies on Industries in Ethiopia, March, 2008

484 *ibid*

485 *ibid*

486 the Spice Sector Strategy Coordinating Committee, Spice Sub-Sector: A Strategy for Ethiopia, Final Draft Submitted to the Government of Ethiopia, February, 2010, p.16

487 *ibid*

known for their high quality and are considered to be products that have a potential to be protected using GI.

- Butter like sheno

A locally produced butter form a place called ŏShenoô is widely known for its best quality at least nationally. It has a potential to be protected as a GI nationally and even internationally if export of the product reaches a significant level.

Even if the economic value of GIs for export commodities depends on a continued investment in the development of reputation in the long-run, there is an already created reputation in most of the products stated above. In addition the existing promising and growing demand in the international market over such products may drive the producers and government to push for GI protection.

3.4. Analysis of the Contribution of the Ethiopian Fine Coffee Designations Trademarking and Licensing Initiative for the Development of Ethiopia

Ethiopian Fine Coffee Designations Trademarking and Licensing Initiative was able to conclude license agreements with at least 110 companies. Brands of the Sidamo, Harar and Yirgacheffe coffees and an umbrella coffee was created and implemented. The Ethiopian Coffee Network carried out promotional activities of the fine coffee and collected members through its website. But all these achievements are not the ends by themselves. They are rather a means to the ultimate goal of changing the lives of Ethiopian poor farmers. These steps were destined to increasing the bargaining power of the coffee growers whereby the added value of the fine coffees can enable them to demand and secure better revenues. This section of the chapter analysis how much the initiative helped Ethiopian coffee growers of the three trademarked fine coffee and overall contributed to the development of the country.

According to its website LYIP reported that the initiative had already "... resulted in over $200 million in increased rural income to Ethiopia. Based on IP Value Capture, Ethiopian coffee farmers were able to double their share of the final retail value for their product, which greatly impacted millions of coffee farmersò.[488]

To make the analysis, first there are important data and figures in relation to the coffee prices that need to be evaluated. First, the general coffee price in international markets shows an increase in price of coffee.

[488]See http://lightyearsip.net/assets/images/home/LightYearsBrochure.pdf

Figure 1 below which shows that the average annual price of coffee has increased from the year 2001 to 2011 in different pricings

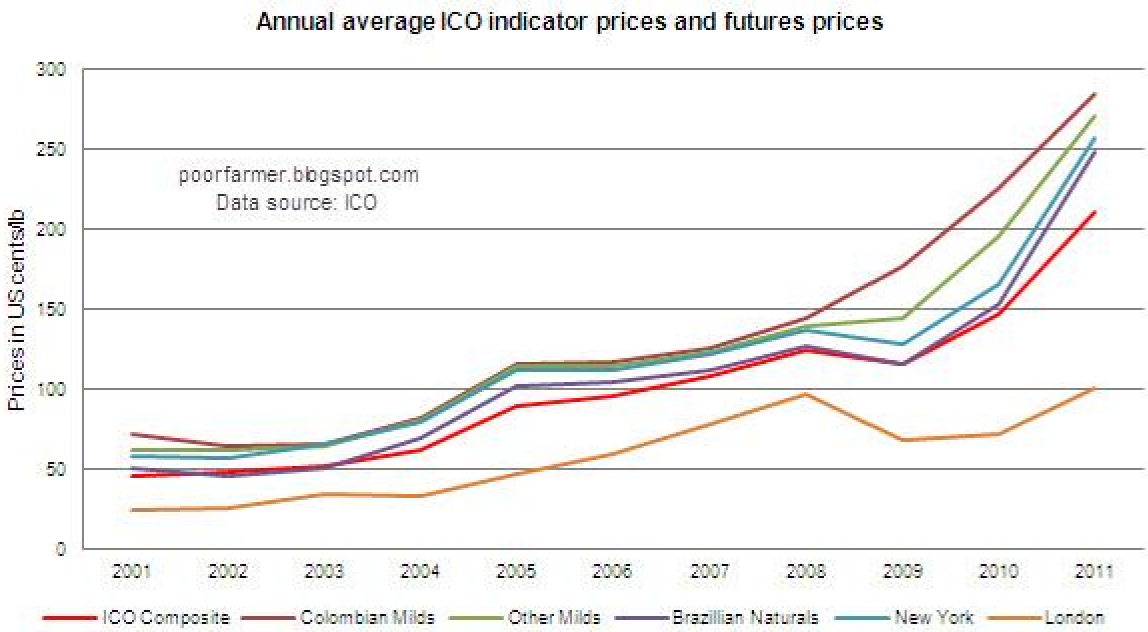

Figure 1.average annual International Coffee Organization[489] indicator prices [490]

The percentages of the three trademarked coffees to the overall coffee export of Ethiopia need to be considered. Table1, depicted below shows that the three trademarked coffees make up around 43% of total exported coffee registered by the Ethiopian Customs, and Sidama alone is around 30% of the total

[489]The International Coffee Organization (ICO) publishes data on global production, trade and prices of Arabica and Robusta coffees from all producing and consuming countries.

[490] Taken form Wondwossen Mezlekia, Has Trademarking Doubled the Ethiopian Farmerꞩ Income? January 9, 2012 available at http://poorfarmer.blogspot.com

Year	Sidamo	Yirgacheffe	Harar	Non-TM
2004	32.6	4.5		63.0
2005	32.2	5.4	4.7	57.7
2006	29.4	3.9	9.7	56.9
2007	33.0	4.9	8.8	51.8
2008	26.4	4.6	8.2	59.4
2009	19.5	3.1	11.4	65.5
Total	29.9	4.7	8.5	56.8

Table 1. Percentages of trademarked and non-trademarked coffee volumes in total exports[491]

The prices of the three trademarked coffees show an increase especially after 2005, despite of a stagnant price levels for Brazilian Naturals in international markets and non-trademarked Ethiopian coffees. See table 2 below.

Year	Non-TM	Sidamo	Yirgacheffe	Harar
2004	1.02	1.01	1.28	
2005	1.01	1.05	1.29	1.24
2006	1.01	1.18	1.55	1.15
2007	0.98	1.19	1.64	1.26
2008	0.98	1.23	1.66	1.26
2009	0.98	1.45	1.90	1.38

Table 2. Ethiopian customs prices relative to ICO Brazilian Naturals price[492]

[491] Taken form AslihanArslan and Christopher P. Reicher, The Effects of the Coffee Trademarking Initiative and Starbucks Publicity on Export Prices of Ethiopian Coffee,Kiel Working Paper No. 1606 | March 2010, referred the ICO data

[492] Ibid p.10

In has been reported that the Ethiopian Coffee Exporters Association said the revenue figure represented a 59 percent rise compared to revenue earned in 2009/2010 and 124 percent from 2008/2009.[493] In addition in 2010/2011 fiscal year, the prices for Ethiopia's specialty Sidamo beans reached 1,500 Ethiopian birr for 17-kilograms, up from 600 birr last year.[494] The volume of export also increased in the same year reaching 237,000 tons where there was 47% increase.[495]

These observations, however, cannot lead to a conclusion that the price increase is the effect of the initiative. The prices could have been raised due other factors. For instance, during the same period, the international demand for specialty coffees such as organic, fair trade or bird friendly coffees increased.[496] Other factors like increase in quality unrelated to the initiative could be relevant.[497]ñMultiple news services reported in 2007/8 that international coffee price was picking up due to anticipated shortages in the supply of Robusta coffee and adverse weather conditions in Brazil and other major coffee producing countriesò.[498]

Although the launch of the initiative indicates the policy of Ethiopian government as to specialty coffees and farmerõs well-being, the 2008 coffee proclamation demanding coffee exports to be under ECX, a year after the óStarbuckõs disputeô was resolved, is considered by some as paradox. If all exports of coffee is obliged to be carried out under the ECX, the specialty coffees including the three trademarked coffees are left to be treated as a commodity goods. So their prices is going to be determined at the London or New York market, where the farmers will not be able to improve their income out of the premium prices paid by consumers all over the world.

In this situation, international buyers insisted to make direct connection with coffee producers of Ethiopia[499] because it is also to their interest for increased traceability. The ECX launched the Direct

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[493] Reuters, by Aaron Maasho, Ethiopia Coffee Exports Hit Record HighJul 27, 2011

[494] See Arslan, *et al supra note* 26, p.10

[495]See Eleni Gabre-Madhin, Our Coffee Journey, February 16, 2012

[496] *Ibid*, also cited Bacon, C. M., Mendez, V.E., & Fox, J.A. 2008. *Confronting the Coffee Crisis: Fair Trade, Sustainable Livelihoods and Ecosystems in Mexico and Central America* pages 337-372.

[497] *Ibid*

[498] See Mezlekia, *supra note* 370

[499]See Mezlekia, Wondwossen Window dressing of Ethiopia's Coffee Exchange, Ethiopian Review 2009 (October) available at http://www.ethiopianreview.com/content/11037.

Specialty Trade (DST) platform in December 2008 whereby this could be made possible. This is how it works; the producers of specialty coffees including the three trademarked coffees will present their coffee to the ECX. Producers are expected to deposit the coffee as a designated ware house and obtain a DST Warehouse Receipt.[500] There could be a minimum lot size of 30 bags, or as specified by the Exchange. The contents of the Warehouse Receipt includes the quality, producer identity and other special attributes of the commodity, such as various certifications obtained from a recognized third party that has established a partnership with the Exchange.

Then the ECX carries out a quality certification of the coffee delivered by coffee cooperatives, unions and commercial growers with a new system called the Q scoring method.[501] This method accommodates very detailed grade and origin groups and therefore is supposed to allow greater differentiation of products by origin.[502]The Exchange shall conduct a Direct Specialty Trade bidding session between specialty producers and international buyers on a regular basis, at a pre-announced frequency. International buyers who wish to participate in the bidding should be registered beforehand. These buyers will be given a chance to inspect the coffee (also called cupping) before participating in the bidding session. The Exchange would send samples of the commodity on a request basis the coffee sent will be considered as sold on behalf of the producer. On-site inspection of the product can also be performed.

Before the bidding, ECX announces the available lots of specialty commodity of qualified producers for the Direct Specialty Trade bidding session, along with information on the lot number, producer identity, commodity origin, quantity, specialty grade, other special attributes, and the designated export service provider. The DST bidding session would be conducted by the Exchange on a lot by lot basis using open outcry method with both buyer and seller participation, or their designated agents. At the conclusion of each lot bidding, the Exchange would record the identities of them counterparties and the agreed upon price and quantity and produce a final Direct Specialty Trade session report that shall be made publicly available. The prices and quantities agreed upon at the Direct Specialty Trade bidding session shall be considered binding by both parties.

[500]See EXC,ECX Direct Specialty Trade(DST), January 4, 2010

[501]*ibid*

[502] See Eleni Gabre-Madhin, Our Coffee Journey, February 16, 2012

The DST system ensures the interest of the buyer as to traceability of the product. It is also supposed to address the interest of the producers in getting fair returns. Thus ECX commits to all sides of the market that it will ensure, a minimum farmer share of 85%of final export price is maintained.

It has been reported that ñon the first day of the trading about 1,600 tons of specialty coffee traded for 526,000 dollar with three US and two European buyers. From the total of 44 lots of specialty coffee presented for sale in the first DST session, representing 35 primary cooperatives and 9 commercial growers, about 16 lots sold. According to the CEO of ECX, Eleni GebreMedhin, buyers have had the opportunity to physically evaluate each green sample, roasted sample and cupping to measure the bean quality a day before the bid. A single pound of coffee was sold for 2.15 dollar minimum and 4.02 dollar maximum on average, which was over two times bigger than the New York market of the same day. There are 27 registered international buyers, representing coffee importers and roasters in North America, Europe, and Japan. The US-based buyers currently number more than 20, but the exchange expects more buyers will register to be part of the trading.ò[503]

[503]Available at

http://www.ethiopiainvestor.com/index.php?view=article&catid=69%3Aarchives&id=1182%3Adirect-specialty-coffee-trading-launched&tmpl=component&print=1&page=&option=com_content&Itemid=88

Chapter Four: Conclusion and Recommendations

5.1 Conclusion

From the analysis done over the choice of IP form to protect Ethiopian fine coffees, both GI and trademark offer their own blessings for Ethiopia. But it is wrong to conclude that there is no way Ethiopia can afford to protect its coffee using GI. As to the enforcement, the already established coffee quality control system could be strengthened to serve this purpose. Though there is a relatively high cost that comes with it, it can be recouped by the increased price a GI or certification mark would gamer. Once the country promulgates its GI legislation and be able to protect the fine coffees under it, it is possible to benefit from GI in the international market. But the best route for Ethiopia would be to a two-fold strategy, which would rely on both trademark and geographical indication protection. This could be done selectively depending on the legal system of the country or region at hand. GI can be a better tool for protecting the coffee in for instances the EU System because the system gives a more comprehensive right to the producers. On the other hand, in countries like the US trademark could be the better option given the cost of GI and systemôs unfavorable legal regime.

The analysis made as to the effect of the Initiative on the development of Ethiopia and particularly on the income of coffee growers shows one undisputed fact. It is since the launch of the Initiative coffee growers in Ethiopia have been generating more income. But the direct impact of the initiative could not be traced. An impact evaluation study was never made for this project. But there are good prospects seen like the Direct Specialty Trade platform in the ECX. There are some concerns being raised as to the applicability of the rule that ó85% of the final export price shall go to the producersö. If this could be enforced efficiently, then it can create a good opportunity for producers to benefit from the trademarked coffees. Of course, the marketing aspect of the Initiative is key element that should be strengthened.

5.2 Recommendations

The following recommendations are given based on this study;

- ✓ The trademarked coffees should be made completely off the commodity market
- ✓ The national GI legislation should be promulgated in a speedy manner
- ✓ The government should take steps in formulating a strategy that could employ GI in a selective manner
- ✓ In addition to the GI and trademarks, Ethiopia should be able to capture product-oriented value markets such as ñeco-certified,ò ñorganic,ò or ñBird-Friendlyò etc this could add value to Ethiopiaûs coffees by offering consumers the opportunity to purchase a product that reflects their values
- ✓ The quality control and marketing system established in Ethiopia by law should be strengthened. The institutions created should be strengthened and coordination with producers should be elevated by creating awareness. The coffee cooperatives could play important role in this regard.
- ✓ The initiative has a drawback in making assessment evaluation and impact study. This should be done by the project.

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Annex