Geographical Indications Versus Trade Marks and Generic Terms: The US–China Agreement

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There have been several conflicts between trade marks and geographical indications (GIs). These disputes cannot be solved by a simple application to GIs of trade mark principles. We must remove all the dust that has been thrown at these issues and go to the bottom of these disputes considering the structure of both subjective rights of industrial property: i.e. their legal functions and their completely different legal nature. It is this structure, the functions and legal nature, that explains – or should explain – the different regimes, including the level of protection or the criteria for genericness of these rights. As said, the trade mark regime has been the model to follow when we are facing trade distinctive signs whether in conflict or not. GIs are also trade distinctive signs, but they are different, for better and worse. A straightforward analogy with trade marks does not work.

It is commonplace to say that GIs benefit from several privileges, namely: protection against genericness; coexistence with previous trade marks; no need for renewal of registration; *ex officio* protection; absolute ground for refusal of the registration of a sign as a trade mark as is now the case with the EUTM; and protection in another country through bilateral agreements (the list system), without a procedure of registration in the same way as other intellectual property rights (IPRs). But there are also several hurdles. GIs demand a heavy structure, meaning huge costs. This demands a group of producers (which will be the applicant and must be representative), a product specification (the quality guarantee function¹), and a control and certification body (which must comply with the principles of objectivity, independence and impartiality). Besides, GIs have not been correctly

¹ According to the EU legal regime, the quality guarantee function (besides the geographical origin function) is clear on designations of origin; however, considering GIs that may only be based on reputation, that quality guarantee function may be at stake.

understood as IPRs. Without discussing now why GIs are IPRs, it must be underlined that GIs are an example of the German type of common property (the *Gemeinschaft zur gesamten Hand*) and not the Roman type of co-ownership. The communal property is governed according to the interests of the community which prevail over private interests (this explains why GIs cannot be licensed or transferred). We are facing an indivisible right (one right that belongs to the community) used independently by each member. This legal nature demands at least two distinctions: (1) ownership of the right versus an “owner” of the registration; and (2) ownership and exercise of the right – the exercise demands an authorisation from a control and certification body (an authorisation that is not discretionary, depending only on the product’s compliance with the product specification). GIs are owned by the collectivity of the producers, represented by the group of producers. However, each producer can use that right independently from the others if authorised to exercise the right. This means that we have an owner of this right, but ownership which is different from single property. All this means that GIs must have an autonomous regime – as has been given by EU law – even if it should be improved, specifically expressing in the legal regime all the consequences of their legal nature, their legal functions and their structure.

It is this autonomy that has not been recognised in some jurisdictions, like the US, and has been twisted in the recent agreement between the US and China,² especially concerning the recognition of genericness in China. The US has managed to impose its criteria of genericness for GIs in China – its criteria of genericness for trade marks, we must say, which are different from the EU criteria for genericness of trade marks. Of course, the EU is not part of this agreement, but there will be consequences for EU GIs.

This agreement emphasises some IPRs and especially highlights the need to give effective protection to and enforcement of those rights. It stresses the need to ensure effective protection for trade secrets and confidential business information and effective enforcement against the misappropriation of such information (including criminal procedures and penalties); effective patent term extension, in certain cases, is foreseen; combating infringement and counterfeiting in the e-commerce market is also highlighted in an autonomous section; several measures including border actions, civil judicial procedures and criminal procedures are foreseen in order to stop the manufacture and distribution of pirated and counterfeit products (including unlicensed software); protection against bad faith trade mark registrations is addressed (the only point concerning trade marks); as well as several measures on the enforcement of IPRs (civil remedies and criminal penalties sufficient to deter future IP theft or infringements), including enforcement of judgements. Besides all of this, in the section concerning GIs we find several novelties (rules that match US interests). We can split the analysis of the GI regime in this agreement (Sec. F of Chapter 1) into the following points: the procedure for recognition or protection of

² We are referring to the Economic and Trade Agreement Between the Government of the United States of America and the Government of the People’s Republic of China (known as the Phase One China Deal) signed in Washington, 15 January 2020, which will enter into force 30 days after the signature by both Parties (Art. 8.3 of Chapter 8).

GIs, the relationship between trade marks and GIs, the relationship between GIs and generic terms, the criteria for GI genericness, and multi-component GIs.

The agreement demands full transparency and procedural fairness with the aim of protecting GIs. This requirement requests, during the procedure for recognition or protection of GIs, the possibility of opposition (duly substantiated) and, after the registration, the possibility of a procedure for cancellation (in case of due grounds), even if the GIs are included in lists of an agreement. The agreement does not raise the problem of equality and parity with other IPRs when GIs are protected through bilateral agreements (the list system).

However, the first significant problem in this agreement concerns the disregard for GIs when the US demands market access to China for US goods and services using trade marks and generic terms. In the first place we must not confuse generic terms with common names. A term is generic when it corresponds to the name of a product; whereas, common names are usual names – one among several – to identify a product, usually one of its characteristics, but is not the name of the product. This identity, between common names and generic terms, damages GI owners and is in accordance with US economic interests, which are also instituted in the TRIPS Agreement (Art. 24/6). Secondly, IPRs are subject to the territoriality principle. This needs further development. Concerning the relationship between trade marks and GIs, it is not possible to interpret the agreement in a way that disregards protected GIs in China. Goods or services identified with prior trade marks protected in the US (or any other country) cannot have access to the Chinese market if those trade marks are in conflict with GIs previously protected in China. This conflict must be assessed taking into account the scope of protection that GIs benefit from in China. IPRs are legitimate barriers to trade. Regarding the relationship between GIs and generic terms, genericness is evaluated in each territory according to the legal system in force in that territory. Several EU GIs are considered generic or semi-generic terms in the US by law or administrative measures (artificial criteria), but are GIs in the EU, in China and several other countries in the world – once again, the principle of territoriality must be pointed out. Finally, Art. 1.15/1 (Sec. F) of the US-China Agreement establishes that pending or future requests in China for protection or recognition of GIs must not “undermine market access for US exports to China of goods and services using trademarks and generic terms”. Concerning future requests, it is necessary that the trade mark is protected in China or that the term is generic in China; otherwise, there will not be a legitimate barrier (based on these grounds) to the protection of a GI in China. Secondly, pending requests must be assessed considering the priority principle (first-in-time, first-in-right)³ – and we will not discuss here the grounds for the coexistence principle between previous trade marks and future GIs.

³ Concerning pending requests, the EU seems to have a huge problem: the EU-China Agreement will be signed likely during the second half of 2020 (that is, after the US-China Agreement). Most probably the US will pressure China to apply the provisions that we are analysing to the list of GIs annexed to the EU-China agreement – that is, the status of those EU GIs may be at stake (at least some of them). Of course, the opposition procedure in China has already been concluded and the problems have been solved through negotiations that are already finished. However, we will have to wait for the Chinese position on this matter. On the other hand, it is clear that the second list of EU GIs will be subject to these new provisions of the US-China Agreement: new problems are expected for these EU GIs.

The second significant issue in this agreement are the criteria for a term to be qualified as generic. The agreement begins by emphasising that the criteria must be based on consumers' understanding of the term in China. At least the territoriality principle is respected – genericide in the US does not mean genericide in the world! This consumer understanding is based on the following criteria: dictionaries, newspapers, websites, trade usage, standard rules (like the Codex Alimentarius), and use of the term with imported goods from a place different from the original location (the GI origin). These are objective criteria to determine that a GI is a generic term,⁴ also meaning – as established in the agreement – that protected or registered GIs can become generic terms over time⁵. This means that the behaviour of the owner of a GI is entirely put aside. In other words, the owner of the right – a property right – may be expropriated of his right without any consideration for his behaviour (the actions taken – if such remedies are available, of course – to preserve the right, or passivity, or even consent for the use of the GI as a generic term). Subjective criteria are ignored. This is the opposite of the EU regime for GIs⁶ and even for trade marks.⁷

Finally, concerning multi-component GIs⁸, China is obliged to identify which individual components, if any, are not protected (because they are generic terms). Is the US worried that these components may acquire distinctiveness by use (the secondary meaning theory)?

The EU is at a crossroad: EU GIs are under US fire, and the US-China Agreement is just one example. Consider, for example: the notion of comparable products⁹ and of evocation is not consensual;¹⁰ the protection against dilution in all its forms; the ingredients problem;¹¹ the powers of a group of producers;¹² how the EU is going to protect non-agricultural GIs registered by the Lisbon Agreement after the entry into force (on 26 February 2020) of the Geneva Act;¹³ the EU regime for GIs only protects the name of the GI (and for goods, not for services), not the shape of the

⁴ Following the criteria already established in the Trans-Pacific Partnership Agreement (TPP) – Art. 18.33 of Chapter 18.

⁵ In the Lisbon Agreement, in the EU and in several bilateral agreements concluded by the EU it is established that a GI, once protected, cannot become a generic term (and we will not discuss the grounds of these rule here). That was not foreseen in EU-China Agreement. So, EU GIs in China may not live forever (but China GIs can live forever in the EU – reciprocity was killed). We must never forget that the greater the success of a GI, the greater the risk that it will be treated as a generic term.

⁶ See *also* the ECJ cases on Feta, Bavaria, Parmesan, Grana Padano, among others, where the normative choice was not to allow an open-and-shut slide into a generic term.

⁷ See, for example, Art. 20 of Directive (EU) 2015/2436, 16 December 2015, to approximate the laws of the Member States relating to trade marks.

⁸ See the recent ECJ decision in *Aceto Balsamico di Modena*.

⁹ “Comparable” demands some common features. Water and whisky are comparable as they are drinks, but, on the other hand, Scotch whisky is different from Japanese whisky.

¹⁰ See the ECJ's decision in *Port Charlotte*.

¹¹ Especially after the ECJ's decision in *Champagner Sorbet* where the court legitimated parasites.

¹² These owners of the GI should be able to determine, for example, the quantity they produce of a product as any owner of a trade mark, namely, in order to increase its value – and this should not be considered infringement of competition rules.

¹³ The EU acceded to this Act and is obliged to protect those GIs.

products and not the designs or figurative elements (and we do not include here the aroma or taste of the products).¹⁴ We need to find some landing zones – the legal functions, structure and legal nature of these rights are probably a starting point – in order to rebuild the EU GI system. This probably also implies moving to the EUIPO building. There will be always several normative choices: law is political and ideological.

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¹⁴ The list of problems to be addressed is even longer. Comparable (and non-comparable) is different from “same kind”, “same type” or “similar”. On the other hand, imitation and evocation are not overlapping terms. There are in the EU GI regime several contradictions in the relationship between trade marks and GIs. We need rules on the limitations to the content of the GI rights (as we have on trade marks) based on loyal and fair competition. Finally, the unique and exclusive EU system for registration of GIs (deleting national systems), the relationship between national and European authorities (rethinking subsidiarity?) as well as control systems (public, private or semi-public) and its intensity need also to be discussed (there are several models and several differences in the regime in force).