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PDO's and PGI's scope of protection - the polish case of wine yeasts

PhD Dominik Lubasz¹, Agata Wróbel²

¹ An attorney at law and partner at Lubasz and Partners Law Firm, www.lubaszwspolnicy.pl
dominik.lubasz@lubaszwspolnicy.pl

² PhD Candidate, Department of European Commercial Law, Faculty of Law and Administration, University of Lodz, wrobel.agata1@gmail.com

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ABSTRACT

Bordeaux, Malaga, Tokay, Madeira and Portwein have become the heroes of another dispute concerning geographical indications. Wine yeasts' manufacturers have been accused of infringing the reputation of registered designations of origin by marking their products with those well-known names. The case seems obvious, but in-depth analysis raises the question of what is the legitimate scope of protection of designations of origin and geographical indications? The Authors will aim at proving that the scope of the protection of geographical indications should not cause their total exclusion from public domain

Key words: Wine, geographical indications, reputation, comparable products,

JEL Classification: K2, K4

1. Case Summary

It has been already 20 years since the products tagged with geographical names are protected.¹ However, both in Poland and in the European arena the problem of the scope of protection of PDO/PGIs is not fading. Numerous cases of conflict reveal the shortcomings of existing legislation.

Bordeaux, Malaga, Tokay, Madeira and Portwein have become the heroes of another dispute. During an inspection procedures in one of supermarkets in Lodz– Commercial Inspection (Inspekcja Handlowa – institution of market surveillance²) had cesured few packages of wine yeasts. The reason of taken measures was not the regulations concerning safety of products but rules protecting PDO's and PGI's of wines. Namely violation of art. 118m par. 2 letter a Regulation 1234/2007 (currently art. 103 par. 2 letter a of Regulation 1308/2013).

The names in question are protected by European regulation and are names of undoubtedly well-known wines. On the other hand these names are used to indicate the types of wine yeasts. National but also international institutes who are collecting and breeding yeast cultures use those names as indicators – f.e. in Germany Leibniz-Institut DSMZ - Deutsche Sammlung von Mikroorganismen und Zellkulturen GmbH³, in Great Britain National Collection of Yeast Cultures⁴, and also in Poland Instytut Biotechnologii Przemysłu Rolno-Spożywczego⁵. Commonly they were also used in comercial practice as most of these institutions sell yeast to other entities who then launch them in consumers' market.

The case gave a factual base for the deeper research and analysis of the justifiable scope of protection of PDO's and PGI's. Several questions have arraised

1. What is the scope of the protection of PDO and PGI in European Union?
2. What is the meaning of „comparable products” in current legislation concerning PDO's and PGI's?

¹ First Council Regulation No 2081/92 of 14 July 1992 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs entered in force on 25 July 1993, OJ

² ustawy z dnia 15 grudnia 2000 r. o Inspekcji Handlowej Dz. U. z 2014 r. Nr 0, poz. 148, z późn. zm.

³ <http://www.dsmz.de/catalogues.html>

⁴ <http://www.ncyc.co.uk/catalogue.html>,

⁵ <http://www.ibprs.pl/>

3. What are the conditions of liability on the basis of art. 103 par. 2 let. a (breach of reputation)? What is the meaning of exploiting the reputation of a designation of origin or a geographical indication?
4. Should the use of PDO/PGI by wine yeast producers be forbidden?
5. Does wine yeast use the reputation of PDO/PGI's?
6. Is it possible to qualify the use of PDO/PGI by wine yeast producers not only as a use of reputation (art.103 ust 2. Letter a) but also as other misuse, imitation or evocation penalized on the basis of art. 103 par. 2 letter b of Regulation 1308/2013?

2. Legal Framework and Methodology

Regional products are protected in the European Union since 1993. Essentially name registration is possible by demonstrating that it is linked to the geographical region, product marked by the name has characteristics that result from the natural environment of the region or stem from the traditional methods of manufacturing, or if it is shown that it is well-known product or has a unique reputation. Currently there are three separate regulations that ensure the registration and protection in the form of protected designations of origin (PDO's) and protected geographical indications (PGI's). Regulation No 1151/2012⁶ includes provisions for agricultural products and foodstuffs, Regulation No 110/2008⁷ refers to spirits, when it comes to the protection of wines, it is provided by Regulation No 1308/2013⁸.

The Regulation applicable in assessing the liability of wine yeasts' manufacturers is Regulation No 1308/2013, mainly its Section 2 which regulates the rules of designations of origin, geographical indications and traditional terms in the wine sector. The provisions in question concern especially the criteria for registration of wine's names, issues of conflict with trademarks as well as the registration procedure.

Registration of a name as PDO or PGI has an *ex nunc* effect (Całka, 2008:199), unitary for the whole territory of European Union (Całka, 2008:205). We can assume the protection is endless (Schmidt-Szalewski,1997:12; Jokuti, 2009:122). This means that the registration of the name does not need to be renewed, as in the case of trademarks, and the time of protection is not limited (Całka, 2008:206; Jokuti, 2009:122).

The right to use the registered names such as *Bordeaux, Malaga, Madeira, Tokay, Portwein* in accordance with Article 103 par. 1 is granted to any operator marketing a wine on the condition that the product itself was manufactured in accordance with the specification, which defines, among others, the territorial origin of the product, its composition, method of preparation.

The scope of protection of the names has been specified also in art. 103. It provides that the registered name as well as the wine that is marked with it are protected against any direct or indirect commercial use of that protected name, any other misuse, imitation or evocation, any other false or misleading indication as to the provenance, any other practices that are liable to mislead consumers.⁹ An in depth analysis of provisions granting the protection is necessary

⁶ Regulation (EU) No. 1151/2012 of the European Parliament and of the Council of 21 November 2012 on quality schemes for agricultural products and foodstuff, OJ 2012, L 343, p. 1

⁷ Regulation (EC) No. 110/2008 of the European Parliament and of the Council of 15 January 2008 on the definition, description, presentation, labelling and the protection of spirit drinks, OJ 2008, L 39,p. 16

⁸ Regulation (EU) No. 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organisation of the markets in agricultural products and repealing Council Regulations (EEC) No 922/72, (EEC) No 234/79, (EC) No 1037/2001 and (EC) No 1234/2007, OJ 2013, L 347, p. 671

⁹ Article 103

to show an exact boundaries PDO's and PGI's and assess if the yeast manufactures had infringed those protected names.

2.1. Direct or indirect commercial use

In this particular case wine yeasts' producers were held liable on the basis of art. 103 par. 2 let. a – concerning direct or indirect commercial use. To treat a particular action as a violation of protection granted by this article a designation must be used on products comparable to these with PDO's or PGI's. There is one derogation from that rule – a special provision for reputable, well-known designations of origin, which are protected even if they have been used to indicate non-comparable products.

Art. 103 par. 2 let. a - stipulates that the name is protected against any direct or indirect use of a PDO/PGI for commercial purposes, firstly by comparable products not complying with the product specification of the protected name, or if such use exploits the reputation of a designation of geographical origin..

The first step that is indispensable in assessing particular action as a violation is to decide what it means that the products are comparable? Due to the lack of case law relating to this issue, it is necessary to refer to the rulings and doctrine that rised on the basis of trademark law. We need to make a preliminary assumption that comparable products in the regulation No 1308/2013 mean similar goods or services in the sense of Regulation No 207/2009.

In principle, the two products are similar, if they share some characteristics with each other. The Court of Justice in its judgment in Canon Case¹⁰ stated that the assessment of the similarity of the product should take into account all relevant factors, including the nature of these products, consumers for whom they are intended, as well as the fact that tehy compete or are in relation to each other. The Office for Harmonisation in the Internal Market (OHIM)¹¹, responsible for the registration of Community trade marks, take into account additional criteria such as distribution channels, consumers of the product and traditional source or origin of the products.

Protection

1. A protected designation of origin and a protected geographical indication may be used by any operator marketing a wine which has been produced in conformity with the corresponding product specification.
2. A protected designation of origin and a protected geographical indication, as well as the wine using that protected name in conformity with the product specifications, shall be protected against:
 - (a) any direct or indirect commercial use of that protected name:
 - (i) by comparable products not complying with the product specification of the protected name; or
 - (ii) in so far as such use exploits the reputation of a designation of origin or a geographical indication;
 - (b) any misuse, imitation or evocation, even if the true origin of the product or service is indicated or if the protected name is translated, transcribed or transliterated or accompanied by an expression such as "style", "type", "method", "as produced in", "imitation", "flavour", "like" or similar;
 - (c) any other false or misleading indication as to the provenance, origin, nature or essential qualities of the product, on the inner or outer packaging, advertising material or documents relating to the wine product concerned, as well as the packing of the product in a container liable to convey a false impression as to its origin;
 - (d) any other practice liable to mislead the consumer as to the true origin of the product.
3. Protected designations of origin and protected geographical indications shall not become generic in the Union within the meaning of Article 101(1).

¹⁰ Judgment of the Court of 29 September 1998 Canon Kabushiki Kaisha v Metro-Goldwyn-Mayer Inc., formerly Pathe Communications Corporation, Case C-39/97, 1998 I-05507, par. 23

¹¹ OHIM, The Manual Concerning Proceedings Before the Office for Harmonization in the Internal Market (trade marks and designs), part c, section 2, chapter 2, p. 19

All these factors need to be taken into account while deciding that wine yeast are comparable to wines with PDO's and PGI's.

When the above mentioned indicators let us come to a conclusion that analysed products are not comparable, we have to determine whether there was a breach of PDO's/PGI's reputation. An example of the unlawful use of the reputation of the protected designation of origin was the use of one of the most famous appellations of origin, which is the champagne (Olszak, 2002:25;Tréfigny-Goy,2008). This name was used repeatedly, starting with the mineral water advertisement from 1907 when Perrier used a slogan "Champagne of mineral waters" to advertise its product through



Source: www.maisons-champagne.com/orga_prof/qui_ta_fait_roi.htm

What does it exactly mean that a use of reputable designation of origin or geographical indication exploits their reputation? Does every use per se constitutes an advantage and the users of the sign should become liable for a breach of protection of PDO's and PGI's?

At this point again we need to refer to trademark law. Art. 8 par. 5 and art. 9 par.1 point c of Regulation No 207/2009¹² clarify the concept of the use of reputation. Trademark exploits the reputation of an earlier trademark firstly, if it takes unfair advantage, secondly, if it is detrimental to the distinctive character, or thirdly, if it is detrimental to the reputation of the earlier mark.

Unfair advantages cover cases in which an unauthorized entity use the mark known on the market and thus his products gain on the attractiveness. This action aims at attracting customers through the use of reputation, image and prestige of the brand. By these means an unauthorized entity will derive benefits in terms of increased sales of their products, while maintaining the minimum cost of promotion¹³.

The second case concerns the problem of distinctiveness. This is the so-called blurring of a trademark, which causes weakening of distinctive character through use of the later trade mark which is identical or similar to a famous mark. The earlier trademark loses its uniqueness and thus for consumers becomes less attractive. However, not every use of the trademark similar or identical to a famous mark shall be deemed to blur its distinctiveness. The Court on Intel

¹² Council Regulation (EC) No. 207/2009 of 26 February 2009 on the Community trade mark, OJ 2009, L 78, p.1

¹³ OHIM, The Manual Concerning Proceedings Before the Office for Harmonization in the Internal Market (trade marks and designs), part c, part 2, p. 47

Case¹⁴ pointed out that Art. 4 par.4 of Directive 2008/95/EC (Art. 8, par. 5 of Regulation No 207/2009) requires a proof that the use of the later mark will be detrimental to the distinctive character of a reputable trademark by changing the behavior of the average consumer of the goods or services for which the earlier trademark is registered or a proof that there is a high probability that such a change occurs¹⁵.

The last situation concerns tarnishment of the earlier mark's reputation. The use of the later mark affects the perception of the earlier mark in a negative way¹⁶. Usually it is caused by use of a mark on products of lower quality. As a result the products of earlier trademark owner lose their attractiveness.

3. Boundaries of PDO's and PGI's protection in the case of wine yeast producers

In the light of the foregoing, the use of names *bordeaux*, *malaga*, *tokay*, *madeira* and *portwein*, was definitely a direct use of protected designations of origin for commercial purposes. For the assessment if this action has breached the provisions of Regulation 1308/2013 it should be first considered whether wine yeast are comparable to wines and if not, whether this use exploits the reputation of protected designations of origin.

3.1. Comparison of wine yeast and wine

Examining the conditions laid down by the Court of Justice of the EU, firstly it should be noted that wine and wine yeast are quite different in nature and do not serve to satisfy the needs of the same type. According to the definition of "wine" it is "an alcoholic drink (8-22% alcohol) obtained by the alcoholic fermentation of grape juice (wine grape), as well as other fruits (fruit wine)." Wine does not include wine yeast, because they are removed in the process of clarification of wine, including processes such as decantation and filtration. Wine is obviously the product for direct consumption.

Wine yeast cultures, both in liquid form and dried, do not meet any of the above mentioned criteria and have a different purpose than wine. They are not a drink, do not contain alcohol, are grown on microbiological nourishment, not on the pulp or juice of grapes, they are an oenological product - a specialized tool for wine production, not a type of food.

Moreover, there are not offered to the same group of consumers. In the case of wine the group of consumers interested are people wanted to purchase and taste wines of good or even high quality products, who are aware of special characteristics of wines originating from particular regions and are willing to pay an additional price for them. The wine yeast buyers are usually amateur producers of wine, which is often characterized by poor quality.

Taking into considerations the criterion of substitution we can definitely assess that the products are not substitutes to each other. Someone who wants to buy a bottle of wine will not buy a pack of wine yeast interchangeably. Thus, there is no competitive relationship between them. There are also no complementary relation to each other.

¹⁴ Judgment of the Court (First Chamber) of 27 November 2008 Intel Corporation Inc. v CPM United Kingdom Ltd. Case C-252/07, 2008 I-08823, par. 29.

¹⁵ Intel Case, par. 77

¹⁶ OHIM, The Manual Concerning Proceedings Before the Office for Harmonization in the Internal Market (trade marks and designs), part c, part 2, p. 59

Analysis of additional criteria used by the OHIM – distribution channels, consumers and customary source of the products¹⁷ - also leads to conclusion that the products are not comparable.

Wines with geographical indications are usually market in specialist wine shops, liquor stores, or large-scale grocery stores. On the other hand wine yeast are available at home appliance stores or in supermarkets. As already indicated, both products are directed to other recipients. Different is also the source of origin of these products. The breed of yeast requires knowledge of biotechnology as well as adequate technical facilities, thus they are launched on the market by different entities specialized in such a production. Wines with PDO or PGI are the effect of a long lasting tradition cultivated in vineyards of most valuable regions.

Since foregoing analysis makes it obvious that wine yeast and wines are not comparable products, to justify the liability of wine yeast's manufacturer it needs to be proven that the use of the name exploits the reputation of PDO/PGI.

3.2. Exploitation of reputation

Due to the lack of clarification of the breach of reputation concept on the basis of regulations concerning geographical indications, the conditions laid down in the trademark law have to be taken into account.

Firstly, wine yeast will not gain any unfair advantages by using the protected name. It is highly improbable that a consumer in confrontation with the name *Bordeaux, Malaga, Tokay, Madeira* and *Portwein* placed on the package of yeast will expect to be able to manufacture on his own a wine product comparable to wines with PDO/PGI.

The yeast in amateur production of wines are only a part of the process. The final effect depends on additional factors such as:

- methods of production, including blending
- types and quality of fruits used for production (usually in Poland production of wine is based on other fruits than grapes)
- the use of other additives such as sugar.

The average consumer, an amateur of wine production is aware of these factors. Undoubtedly his choice of a particular breed of yeast is based on his experience, not on the basis of assumption that he/she will get a wine that resembles this with geographical indication. What is more the producers do not intend to use those names for the purpose of using reputation. Their aim is to indicate the type of yeast by names *Bordeaux, Malaga, Tokay, Madeira* and *portwein* which in fact are used for those purposes since around 50-60 years all over the world. The name in question gives to the consumer information about the product but this information is completely different in comparison with information given by the same name but used on bottle of wine. In the first situation the consumer relates a name f.e. *Bordeaux* with a type of yeast, it has a descriptive function while in the second case it links the name with wine of particular geographical origin and special features, so it plays distinctive function.

Secondly, as far as the case of blurring of a sign is concerned it is also rather not the case. The *Bordeaux* wine will not be less distinctive because of the use of the same name on yeasts. This is in fact due to different customers groups that are attracted to the product. What is more yeasts and wine are not sold in the same stores, so they want be placed next to each other and the threat of blurring will not occur.

¹⁷ OHIM, The Manual Concerning Proceedings Before the Office for Harmonization in the Internal Market (trade marks and designs), part c, section 2, chapter 2, p. 19

Thirdly, the reputation of wines with geographical indications is not threatened by the use of the name on yeasts. There is no connotation between two products so the quality of yeasts will not affect the wines reputation in the sense of tarnishing. Even if the wines produced with the use of particular type of yeast are not of special quality the reputation of PDO/PGI's wines will not suffer.

3.3. Other basis of liability

Article 103 provides other situations that are treated as an infringement of the PDO/PGI's protection. Previous versions of regulation provided that a use of PDO/PGI on non-comparable products is forbidden only in the situation of well-known products whose reputation was threatened. Now some changes in the provisions were made and situation is not clear anymore.

Firstly according to art. 103 par. 2 let. b geographical indications are protected against any misuse, imitation or evocation, even if the true origin of the product or service is indicated or if the protected name is translated, transcribed or transliterated or accompanied by an expression such as "style", "type", "method", "as produced in", "imitation", "flavour", "like" or similar.

Sounding of this regulation has been changed in relation to the previously existing Regulation No 1234/2007. Currently, it concerns an indication of the true origin of a "product or service". Through such a formulation legislator suggests that it is illegal to use a PDO or PGI also in connection with services. It is very surprising solution as the services do not fall under any of the regulations on the protection of geographical indications in the European Union. Thus, it must be concluded that this is a situation where the registered geographical indication of a wine is used to denote the services of another entrepreneur. Rather bizarre assumption first, due to the fact that it is difficult to accept that service and wine are comparable products. It must therefore be concluded that this provision has been extended to the protection of geographical indications also when products are not comparable. In addition, due to the fact that the legislator did not put in this place any additional condition f.e. of breach of reputation as is the case of the provision contained in Art. 103 par. 2 point a - it should be interpreted as meaning that any misuse, imitation or evocation in the case of comparable products, services but also non-comparable product will be forbidden.

Such an interpretation causes that a registration of a name as a PDO or PGI results in the complete exclusion of the public domain, which raises serious doubts in particular with regard to the scope of the monopoly which then would be granted to producers.

Secondly, in the foregoing context provisions of let. c (false or misleading indication) and d (any other practices able to mislead consumers) of art. 103 become also doubtful. It is not clear if non-comparable products can be also judged in the view of those provisions or if they are still concerning only comparable products.

4. Conclusions and Discussion

In Authors' opinion a use of names *Bordeaux*, *Malaga*, *Tokay*, *Madeira* and *Portwein* as indications of wine yeasts is fully possible. Products are definitely non-comparable, and there is no risk of exploitation of reputation.

What is more European regulations concerning GI made it possible under certain conditions that signs which are identical or similar coexist in the market. It is possible to register as PDO/PGI a name identical or partially identical to the already registered geographical indication or designation of origin. The condition for such registration is to ensure sufficient

distinction in practice between registered names so as to ensure equal treatment between producers and to prevent consumer confusion. A coexistence of the protected designation of origin and a trademark is also possible while maintaining the condition of the absence of confusion for consumers.

On these basis it should be also possible to use protected names for solely descriptive purposes as in the case of wine yeasts. There is no risk of confusion for consumers, and such wide monopoly for producers of PDO/PGI's wines or other types of products is not justified.

However changes in the provisions of art. 103 indicate that the legislator intend rather to expand the protection of GI in European Union, what in Authors opinion will lead to total exclusion of those names from public domain and must be assesed rather in negative way.

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