

Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications

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PROPOSAL BY THE DELEGATION OF THE UNITED STATES OF AMERICA

Document prepared by the Secretariat

In a communication dated February 18, 2014, the Delegation of the United States of America transmitted to the International Bureau of the World Intellectual Property Organization (WIPO) the proposal contained in the Annex to the present document.

[Annex follows]

***Proposal from the United States of America
to the Standing Committee on Trademarks, Geographical Indications and Industrial
Designs (SCT) of the World Intellectual Property Organization (WIPO)***

Work Plan for Exploring the Feasibility of a Geographical Indications Filing System

As a dedicated member of the World Intellectual Property Organization (WIPO) and a believer in its fundamental objectives and rules, the delegation of the United States of America is troubled by the process the Lisbon Union has followed to “revise” the Lisbon Agreement on the International Registration of Appellations of Origin. This process essentially has sought to transform an agreement with limited membership and narrow subject matter into new global intellectual property agreement with a fundamentally new scope covering geographical indications (GIs). This transformation has not only exceeded the mandate of the Lisbon Assembly, it has at critical junctures departed from longstanding WIPO process and practice, which are designed to ensure that the interests of all Members are respected. In this interest of adhering to clearly established WIPO institutional rules, ensuring appropriate consideration of the substantive issues at hand and avoiding a precedent that could harm the interests of Member States in other contexts in the future, the United States proposes this situation be redressed through the proper, if belated, engagement of various appropriate bodies within WIPO.

It is well-known that there has been a debate for decades over appropriate systems for the protection of GIs. It is well-known that the Standing Committee on Trademarks, Geographical Indications, and Industrial Designs (SCT) has jurisdiction and a standing agenda item for work on GIs. It is also well-known that there are several different and conflicting approaches to the protection of GIs that exist and that are being negotiated around the world.

Notwithstanding these broadly recognized realities, the Lisbon Agreement “revision” process to date has been driven and determined solely by the current members of that agreement, even while purporting to have the objective of ensuring greater global reach for the agreement that would be transformed to cover GIs generally. The process has sought to bypass objections of the wider WIPO membership to funding the revision effort (and the agreement’s ongoing operations), as well as objections to the proposed substantive harmonization standards. In essence, this “revision” process has allowed the Lisbon Union to advance its approach to GI protection toward a diplomatic conference in 2015 without meaningfully accepting input from other very interested WIPO delegations which in fact have an interest in the integrity of the process as well as the potential outcome.

The Lisbon “revision” process has taken place not only without apparent regard for the Lisbon Union’s own mandates but without regard for important procedural rules and financial interests of WIPO as an organization that exists to serve the interests of its membership at large, not a narrow few. Among other things, the process reflects an apparent effort to perpetuate the historical subsidization of the agreement by the broader WIPO membership by forcing the organization to pay for a diplomatic conference to revise an agreement to which they are not parties and on which they thus far have been denied the opportunity to voice meaningful objections in an appropriate WIPO forum.

Proposal

The United States delegation proposes that at the 31st session, the SCT ask the Secretariat to prepare a current survey of existing national GI regimes for the 32nd session. Such a survey will undoubtedly shed light on the complicated international landscape for GI owners, trademark owners, and users of generic terms that will provide appropriate guidance to the SCT and to WIPO in general on what is the most appropriate path forward to improve the situation. As the WIPO body that has appropriate jurisdiction over GIs, the SCT should take up transparent and inclusive discussions on this issue, including on a filing system. All delegations should be on equal footing in developing a text for a GI filing system and any system developed must be financially self-sustaining.

Additionally, it appears necessary for the SCT to discuss the work of the WIPO Working Group on the Development of the Lisbon System (Lisbon Working Group) to determine how to ensure that the broader WIPO membership is not forced to fund the Lisbon Union's diplomatic conference and continuing operations of the Agreement—an agreement that many WIPO members cannot join and philosophically with which many strongly disagree -- while the SCT considers whether to explore a possible Lisbon replacement or alternative that represents a more inclusive GI filing system. Concurrent with this discussion by the SCT, the United States believes the matter of the process and funding of the Lisbon Union's work also should be taken up by the WIPO Coordination Committee and the Program and Budget Committee, given the procedural and precedential implications the Lisbon process presents for Member States and for the Organization at large.

Discussion

As noted at the last session of the SCT, the delegation of the United States of America seeks (1) a discussion at the SCT of desirable national examination practices for GIs as well as (2) a discussion of desirable features of a system for the international registration of GIs at WIPO.

Complicating that discussion is the ongoing work to create a GI filing system within the Lisbon Union and its proposal to hold a diplomatic conference in 2015. The basic proposal of the Lisbon Working Group includes substantive harmonization standards that are directly in conflict with GI protection standards in many WIPO member states' national laws. Even so, the Lisbon Working Group has developed a basic proposal and obtained the Lisbon Assembly's approval for a diplomatic conference to be held in 2015, over the objection of at least five WIPO members¹. This insular process was justified by the Lisbon Working Group and agreed to by the Lisbon Assembly, in part because Lisbon Assembly Members

¹ Even though WIPO bodies generally work by consensus, five WIPO member delegations objected to the convening of a diplomatic conference at the 2013 Lisbon Assembly. Over the objection of these five member states, the Lisbon Assembly agreed to convene a diplomatic conference anyway. See Report, WIPO document LI/A/29/2 accessible at http://www.wipo.int/edocs/mdocs/govbody/en/li_a_29/li_a_29_2.pdf These objections were not considered because in the case of a revision of the Lisbon Agreement, only contracting parties have the right to call a conference and have the right to vote in the conference. See *NOTES ON ARTICLE 1: ABBREVIATED EXPRESSIONS*, Note 1.02, WIPO Document LI/WG/DEV/6/4 accessible at http://www.wipo.int/edocs/mdocs/mdocs/en/li_wg_dev_6/li_wg_dev_6_4.pdf. ("The rules applying to the adoption procedure of a revised Act of the Lisbon Agreement, as in the case of the present Draft Revised Lisbon Agreement, specify that only States party to the Lisbon Agreement will have the right to call a revision conference – see Article 13(2) of the Lisbon Agreement – and only those States will have a right to vote at such a conference. As regards the rules on amendment and modification of multilateral treaties, reference is made to Part IV of the Vienna Convention on the Law of Treaties.")

characterized the proposed changes as revisions to the existing Lisbon Agreement, rather than as fundamentally expanding the nature and scope of the Agreement so as to constitute a new treaty². The implication of that decision is that the Lisbon Assembly would have total control over whether to convene a diplomatic conference and how to finance the Lisbon system, without any requirement of acquiescence by the broader WIPO membership³. Moreover, the Lisbon Union members have taken their decision to “revise” the Agreement to expand the scope to include GIs, and to hold a diplomatic conference, without consulting with the WIPO Coordination Committee, even though such consultation is required by the Lisbon Agreement itself in Article 9(2)(b).

In this delegation’s view, the SCT as well as other broadly constituted bodies of WIPO must exercise their appropriate organizational and operational roles and functions with regard to any negotiations under the auspices of WIPO, including the current Lisbon Agreement negotiations, and particularly the “revision” decision taken by the limited sub-set of WIPO Members (*i.e.*, the Lisbon Assembly membership), as well as over the resulting text that has been developed⁴. In addition to the SCT, the WIPO Coordination Committee should consider the proposed conference, pursuant to the committee’s mandate in the WIPO Convention to advise on matters that go beyond the interest of a single Union. The Program and Budget Committee should re-evaluate whether expenses for such a conference can and should be funded in light of how the decision to convene a conference was taken. Potentially, the Assembly of the Paris Union for the Protection of Industrial Property should be engaged, inasmuch as the Lisbon Special Union is a body constituted “within the framework” of that Union, and likewise ultimately the General Assembly of WIPO. This approach of ensuring proper institutional review and decision-making for a potential treaty with global implications would amount to nothing more – and nothing less – than respecting the fundamental objectives and rules of the Organization as established in the Convention⁵. That is an interest that *all* of us as Member States of WIPO share.

² For a summary of Lisbon WG delegation interventions on whether the draft new instrument should be a revision or a new treaty, see http://www.wipo.int/edocs/mdocs/madrid/en/li_wg_dev_5/li_wg_dev_5_7_prov_2.pdf

³ When discussing the form that the instrument should take (revision or new treaty), the Lisbon Working Group was advised by the Secretariat that one option allowed the existing members to control the process and the other required the General Assembly’s approval to go forward with a diplomatic conference. See Draft Report, paragraph 48, WIPO Document LI/WG/DEV/5/7, accessible at http://www.wipo.int/edocs/mdocs/madrid/en/li_wg_dev_5/li_wg_dev_5_7_prov_2.pdf (The Secretariat “clarified that in the case of a revision of the Lisbon Agreement it would be the Lisbon Union Assembly that would be entitled to call such a conference as provided for under Article 13(2) of the Lisbon Agreement, whereas, in the case of the conclusion of a new treaty, it would be the WIPO General Assembly that would decide on the matter.”)

⁴ For a summary of the delegation of the United States’ intervention at the Lisbon Assembly meeting on why GIs should not be included in the revised Lisbon Agreement, see Report, paragraph 20, WIPO Document LI/A/29/2, accessible at http://www.wipo.int/edocs/mdocs/govbody/en/li_a_29/li_a_29_2.pdf.

⁵ See, *e.g.*, Convention Establishing the World Intellectual Property Organization, Art. 3 (“The objectives of the Organization are: (i) to promote the protection of intellectual property *throughout the world* through cooperation among States ... [and] (ii) to ensure administrative cooperation among the Unions” (emphasis added), *e.g.*, cooperation among the broad membership Paris Union and the narrow membership Lisbon Special Union). See also Art. 4(i) (the Organization “shall promote the development of measures designed to facilitate the efficient protection of intellectual property *throughout the world* and to harmonize national legislation in this field”) (emphasis added). It is difficult to see how such objectives are met and such functions fulfilled if only a narrow subset of WIPO’s global membership is entitled to take significant decisions affecting the membership as a whole. See also Art. 8 (Coordination Committee) and Art. 11 (Finances), as discussed later in this paper.

Justification for SCT Discussion of the Lisbon Union's Work on GIs

The Lisbon system has existed since 1958 with participation by a limited number of interested countries with appellation of origin systems. Now the Lisbon Working Group is proposing an international GI agreement. Because the text would now reach GIs, this work is not just a revision: the text represents a major expansion in scope and effect proposed by 28 countries seeking to replicate their own specific national/regional appellation of origin systems for GIs.

As the text essentially amounts to a new treaty – beyond the existing competence of the Lisbon Union and one with the potential for significant impact on the international IP system and on the international trade interests of all WIPO members -- the independence of this discussion from the broader WIPO membership can no longer be justified⁶. For example, the Lisbon Working Group's text not only exceeds the protections provided for GIs pursuant to provisions of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), the text also severely limits the manner in which these protections can be implemented, whereas the TRIPS Agreement provides implementation flexibility, reflecting the sovereignty and diversity of the WTO membership. Any discussion of an international GI registration system at WIPO must be undertaken by a body representing the broader WIPO membership, rather than by a fraction of that membership.

Additionally, a historical but very problematic feature of the Lisbon system is being perpetuated in these Lisbon Working Group discussions. The Lisbon system has run a financial deficit for years, without giving effect to Article 11(3)'s requirement for the Lisbon Agreement's contracting parties to fund the system if there is a deficit.⁷ This financial insolvency should not be allowed to continue. The claim by "revision" demandeurs that increasing membership in the Lisbon system is the answer to funding the system has neither been analyzed nor tested⁸.

At the Eighth Session of the Working Group, it was suggested that instituting renewal fees for international registrations would help in making the system more financially sustainable. However, there was little support for such a change to the system⁹. The result of ignoring

⁶ Additionally, the question may be raised as to whether the Secretariat should be providing any support at all to the treaty "revision" exercise, inasmuch as the Organization's mandate to perform administrative tasks under the Convention is, per Art. 4, "*subject to the competence of each of the Unions*" (emphasis added). The Lisbon Special Union is avowedly seeking to *extend* its competence to cover GIs, not to act within its existing sphere.

⁷ The Lisbon Union projects a deficit of 910,000 Swiss Francs for the 2014/2015 biennium. This will be the third consecutive biennium wherein the Lisbon Union will have experienced such a deficit. The deficit started at 1,000 Swiss Francs for the 2009-2010 biennium; in the 2010-2011 biennium, the deficit jumped to 925,000; and in the 2012-2013 biennium, the budget deficit was reported as 675,000. For this eight-year period, the deficit will be 2,511,000 Swiss Francs. We note that in the past, when the Hague Union projected a deficit, arrangements were made for the Hague Union to borrow money from the Madrid Union. This has not been done for the Lisbon Union, presumably because Article 11(3)(v) of the current Lisbon Agreement requires the Members of the Union to make up any deficit, which has not occurred.

⁸ It is difficult to see how charging one time registration fees for international applications, with no fees required for maintaining or renewing the perpetual registrations, could provide the necessary income stream over the long term to allow the system to remain financially self-sufficient. Moreover, due to the onerous obligations included in both the Lisbon Agreement and the current version of the draft "revision" text, it is difficult to see how the system could become attractive to enough prospective new contracting parties so as to increase revenue and eliminate the need for subsidization by other WIPO systems. The Secretariat should be asked to provide the necessary information to substantiate such claims.

⁹ At the Eighth Session, there was discussion of a proposal to provide an option for contracting parties to charge individual designation fees; draft text on this option will be circulated at the next WG meeting. However, a discussion of instituting renewal fees and maintenance requirements to ensure financial sustainability was met

calls for financial sustainability by observer delegations, the Chair of the Working Group, and the Secretariat, is to continue to shift the costs of protection of the Lisbon Assembly members' appellations of origin (and potentially GIs)--and the costs of promoting their unique system of protection--to other WIPO members and other WIPO registration systems that are more widely used. Again, this would be done without according such other members a rightful voice as to whether and how the "revision" initiative should be pursued.

Even though the WIPO Program and Budget Committee (PBC) has jurisdiction over funding issues¹⁰, objections made by the United States and others at the 2013 WIPO PBC meeting to the funding of a diplomatic conference did not appear to have any appreciable impact. The delegations of the United States, Chile and Australia objected to the inclusion of a budget line item for a Lisbon revision diplomatic conference.¹¹ Such objections resulted in a deletion of a reference to the specific diplomatic conferences to be funded, but did not actually defund them. During the PBC meeting, contracting parties of the current Lisbon Agreement argued that the Lisbon Assembly's decision to convene a diplomatic conference could not be reopened and debated in the WIPO PBC. This position implies that PBC agreement to fund a diplomatic conference was presumed once the Lisbon Assembly approved the diplomatic conference¹². It is clear from the WIPO Convention, however, that the Organization has a mandate only to fund expenses for *common* interests, not the expenses of a particular Union¹³. Thus, if the Organization's budget is to be used for a diplomatic conference on the Lisbon Agreement, then that conference cannot be considered a matter of interest to the Lisbon Special Union alone. And if the legal basis for funding is that the proposed diplomatic conference *is* a matter of common interest, then the United States fails to see how the decision of a *single* Union with narrow membership to hold such a conference could dictate to the rest of the Organization that *common* funds must be spent on such an initiative. Rather, the appropriate WIPO bodies comprising Member States at large must make the proper determination that such a conference should be held and funded¹⁴. The work of the Lisbon Assembly has not yet been subject to meaningful review by the greater WIPO membership. However, the Secretariat itself has noted that the SCT has a role to play because it has jurisdiction over GI issues, commenting in a recent report that "[q]uestions concerning geographical indications could also be taken up in the SCT, as the SCT had a standing agenda item on the issue of geographical indications. It was up to

[Footnote continued from previous page]

with no support. See WIPO webcast at <http://www.wipo.int/webcasting/en/index.jsp> for LI/WG/DEV/8, Tuesday, December 3, 2013, morning session, Chair's conclusion can be found at 1:45:00.

¹⁰ The WIPO Secretariat indicated that the budgetary implications related to the choice of instrument (revision or new treaty) would be ultimately answered by the WIPO Program and Budget Committee. "[A]s regards the second type of budgetary questions relating to the holding of a Diplomatic Conference for the conclusion of a new instrument, the Secretariat clarified that that question would be part of the Program and Budget of WIPO." Draft Report, paragraph 48, WIPO Document LI/WG/DEV/5/7 prov., accessible at http://www.wipo.int/edocs/mdocs/madrid/en/li_wg_dev_5/li_wg_dev_5_7_prov_2.pdf

However, such PBC influence over the diplomatic conference appears to be minimal.

¹¹ See Draft Report, paragraphs 475 – 501, WIPO Document WO/PCB/21/22 prov. for discussion of the US delegation's proposal to delete the Lisbon earmark in the 2014-2015 Program and Budget, accessible at http://www.wipo.int/edocs/mdocs/govbody/en/wo_pbc_21/wo_pbc_21_22-main1.pdf

¹² *Id.*

¹³ See Convention Establishing the World Intellectual Property Organization, Art. 11(1) ("The Organization shall have two separate budgets: the budget of *expenses common to the Unions*, and the budget of the Conference") and Art. 11(2)(a) ("The budget of expenses of common to the Unions shall include provision for *expenses of interest to several Unions*") (*emphasis added*).

¹⁴ An alternative to funding by the Organization writ large, of course, would be for the Lisbon Special Union to fund the conference itself, consistent with the Lisbon Agreement's Art. 11(b) ("The budget of the Special Union shall include the income and expenses specific to the Special Union ...") and Art. 13(2) ("This Agreement may be revised by conferences held between the delegates of the countries of the Special Union.

Member States to take up such questions in that forum¹⁵.” Thus, if the proposed Lisbon system is intended to include GIs, Member States in the SCT should review the Lisbon Union’s process and resulting text in order to decide the most appropriate way forward with respect to efforts to create a GI international registration system at WIPO.

Justification for SCT Work on GIs

In recent years, bilateral negotiations have proliferated that entail trading lists of GIs. However, trading lists of GIs makes it difficult to appropriately reconcile competing policy interests between GI owners, trademark owners, and users of generic terms, and has created unprincipled and unpredictable grandfathering regimes, coexistence regimes, and phase-out regimes. The GI landscape is becoming increasingly complicated for private owners, traders, and governments. This is part of the discussion that the SCT should take up.

In theory, while the proponents of expanding the Lisbon system to include GIs contend that the Lisbon system provides an appropriate template for international GI norms, that premise cannot be assumed. Before such a conclusion can be reached, this Organization must assess the merit of the premise on which it rests. That has not occurred, and the United States submits that the SCT is the relevant WIPO body with the appropriate mandate to host that discussion. Otherwise, from this delegation’s perspective, the recent Lisbon effort principally appears to assume and to perpetuate validity of one paradigm, which is inconsistent in several critical respects to aspects of other paradigms adopted by numerous WIPO Members. This is particularly concerning given that this new Lisbon Agreement would require its funding from those WIPO Members that cannot or do not wish to join. The revision to the Lisbon Agreement to include GIs will make the GI landscape even more complicated and difficult, creating more trade barriers for domestic and foreign businesses alike.

In our view, WIPO Members convened under the SCT should instead engage in a transparent and inclusive assessment of this issue. This assessment could include a review of the Madrid Protocol or the Geneva Act of the Hague Agreement, which provide good models to follow, where the system does not demand substantive harmonization of laws or legal regimes, but merely creates a mechanism for IP owners to easily apply for and maintain national rights.

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¹⁵ Draft Report, WIPO Document WO/PCB/21/22 prov. at paragraph 491.