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TRADEMARKSANDGEOGR APHICALINDICATIONS: COMPLEMENTARYASSE TS

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First, a few words on my company, whose motto is “world ambition, local roots” (slide 2)

World sales figures of 3.4 bn euros.

Third in the world for the production of wines and spirits.

A reminder of the Pernod Ricard brands (slide 3)

Some of our international trademarks: (slide 4)

- Chivas Regal (annual sales 2.5 mln liters);
- Jameson (annual sales 1.35 mln liters);
- Martell (annual sales 0.9 mln liters);
- Jacob's Creek (annual sales 0.53 mln liters);
- Havana Club (annual sales 0.15 mln liters).

And our local ones: (slide 5)

- Ouzo Mini (annual sales 2.7 mln liters);
- Wild Turkey (annual sales 6 mln liters);
- Viuda de Romero (annual sales 1 mln liters).

More often than not, strong international or local trademarks are those that are securely anchored to a territory, which dictates special manufacturing processes or ingredients that lend the brand its richness and its distinctive character. For instance, all the trademarks that I have just mentioned are distinguished by their geographical origin: (slide 6)

- Chivas Regal is a *Scotch* whisky;
- Jameson is an *Irish* whisky;
- Martell is a *Cognac*;
- Jacob's Creek, in our advertising, is *Australia's* Top Drop;
- Havana Club is a rum of *Cuba*;
- Mini is an ouzo, in other words a spirit that can only be produced in a *part* of *Hellenic* civilization (Greece and Cyprus);
- Wild Turkey is a straight *Kentucky* bourbon whisky;
- Viuda is a *Tequila*, produced exclusively in Mexico.

Pernod Ricard is thus fully mindful of the need to protect and respect geographical indications (GIs). (slide 7)

Now for some figures on our area of activity

European exports of spirits are valued at € 5.5 bn a year, and wine exports at € 4.2 bn. In perspective, this value is equivalent to 130 Airbus or Boeing aircraft. Exports of Australian wine have been valued at € 1.4 bn a year.

We are therefore a sector that has a significant involvement in multilateral business exchanges.

I should now like to show you how a trademark can be enhanced by a GI (slide 8)

As we are gathered together in the United States of America, allow me to use our Wild Turkey brand as an example:

The GI “Kentucky Bourbon Whisky” differentiates the product from many other generic whisky. This is especially important in dealings with countries that do not have any definition of the word whisky: there are indeed certain Asian markets where “whiskies” are to be found that are based on cane, not grain, alcohol.

So the GI provides a means of differentiating the product from others; in a sense, it is a token of quality. That said, the relationship can sometimes be even closer, in that the advertising of the mark incorporates elements of the product’s geographical origin.

On the Wild Turkey Internet site, emphasis is placed on the time honored know-how used in the production of this whisky, and in particular on the contribution of the Kentucky environment. Under the “purity” heading we mention that:

“The limestone-filtered water used in making Wild Turkey is taken from a well right on the distillery’s grounds. In fact, the water is considered so pure that the town of Lawrenceburg located its water plant on the distillery’s property.”

The Kentucky climate is also beneficial to the maturing of the whisky:

“As the climate in Kentucky varies greatly in winter and summer, the barrels expand and contract at a pronounced rate, hastening the maturation process of Wild Turkey Bourbon and ultimately improving its quality.”

It emerges clearly from these examples that brand image is tied up with the product’s native soil. In that respect, the GI and the trademark are complementary. The use of the GI “Bourbon Whisky” is therefore regulated in American law and also under various bilateral agreements concluded by the US with other countries (EU, Mexico, Canada, Chile, etc.).

As the Ambassador of Australia is with us, I have chosen to illustrate this presentation with another example which draws on the success of four Australian wines. (slide 9)

At the outset, Pernod Ricard wanted to make:

- wines that were readily recognizable by consumers – “cépage” or standard vine-variety wines;
- wines whose high quality throughout the year is proven and guaranteed by the producer’s trademark;
- wines produced using the most modern development techniques and innovative winemaking practices.

In Europe, the lack of unbroken tracts of geographical space possessing uniform characteristics, combined with national and European regulatory systems that are too complex and indeed too conservative, virtually prevented the launch of this project, so eyes turned quite naturally to a New World country, namely Australia.

In just a few years our Jacob's Creek brand has become, in terms of volume, the world's most-exported Australian wine. Overtime, our advertising message has placed more and more emphasis on the product's origin. The slogan "Australia's Top Drop" is everywhere. Apart from that, the words "Australia" and "Australian" have been GIs in their own right in Australia for the country's wine since 1994.

Having achieved this success, and in response to the expectations of consumers (starting with the Australians themselves) in search of more typicality in wines, our have become more complex, better, more sophisticated and soon. This is why, today, some of our fine Australian wines are produced in specific soils and therefore qualify for GIs, such as "South-Eastern Australia" used for our Jacob's Creek wines, while other GIs correspond to smaller areas and are used for our more upmarket wines (Coonawarra and Padthaway, among others), where the soil plays a decisive part.

So this is how great brand manifests itself at the present time in terms of its finest wines – with the greatest added value – namely as a given number of wines with specific Australian GIs, which moreover are recognized by the EU. While the legal status of the GI may not necessarily affect its use in marketing, it does become crucial when one considers its role in the fight against fraud. (slide 10)

For our physical and financial investment in a trademark we expect legal security in return, allowing us to protect our brand against third-party abuse. The same applies to a GI, even if jointly owned. We cannot accept a situation where a rival takes market share from our Chivas Regal brand by selling a false "Scotch" whisky, so we have a very strong interest in strong protection for GIs just as we expect strong protection for our trademarks. In that respect, we see no difference between the two.

The export success of wines and spirits has indeed given rise to quite considerable counterfeiting activity on certain markets. A few words now on counterfeiting:

Taking all sectors together, and just in Europe, the number of counterfeit items intercepted at borders leapt by 900 per cent between 1998 and 2001, to exceed 100 million items. As far as spirits alone are concerned, professionals have valued counterfeiting, in world terms, at five to eight percent of their turnover, in other words:

- for the whole spirits industry, a cost of € 543m; and
- for Pernod Ricard, an estimated loss of nearly € 50m.

This gives an idea of the sheer number of counterfeit products, which very often do not conform to security standards and actually put the health of consumers at risk. This is particularly true of our wines and spirits sector.

One can thus readily understand the importance that we attach to the preservation of the authenticity of our trademarks and GIs, both of which afford assurances of quality. I should therefore like to say a bit more about the role of GI in the protection of trademarks.

For it does happen that some trademark infringements are difficult to punish by invoking trademark rights alone. These include imitations, often known as "lookalikes." On some markets such imitations are quite common place: they are not identical copies of our goods, just similar. It is not always possible, therefore, to have them condemned as trademark infringements. A mistake that counterfeiters frequently make is to use a fake GI, and that is

the point at which we can intervene, with an allegation that either the consumer has been misled (which has to be proved, introducing a subjective element), or, more reliably, that the GI has been infringed (which is easier to prove, as there is an objective element). I will give you just one example, drawn from our experience in Asia: (slide 11)

- this product is the authentic Royal Salute Scotch whisky, 21 years old, our best-quality whisky (which retails at US\$ 100 a bottle);
- this one is the "look alike," known as Royal Cross, which does not actually use the Royal Salute trademark, but does claim to be Scotch whisky.

In such a case the GI can add legal means of putting an end to such gross infringements. In the case of Royal Cross, the product is presented as being 35 years old and of high quality, whereas in fact it is an adulterated cane alcohol, only a few months old. You can well imagine the damage done to our mark if the consumer is led to associate the genuine article with the fake. In that case the GI can lend very direct protection to the trademark. Thanks to the means of GI authentication, namely:

- product analysis conducted by the Scotch Whisky Association;
- certificates issued by the United Kingdom Customs and Excise, attesting that a given product is actually allowed to use the "Scotch Whisky" GI.

There are other cases, however, which are just as common, where the GI is infringed, not the trademark. For instance, on a number of markets there are products purporting to be Scotch whiskies that steal market share from our authentic Scotches. In that case the protection of the GI is our one and only means of acting to preserve our trademark's market share. (slide 12)

In Romania a local producer succeeded in controlling 25 percent of the whisky market in a few months with a product called "Golden Age, finest blend of Scotch whisky & grain alcohol." And yet independent analysis of the product revealed that it was neither Scotch nor even grain-based. This was not an infringement of our trademarks, but a substantial market share had been taken away from the Scotch whiskies that we sell in that country (100 Pipers, Passport): for as the counterfeit product does not conform to the strict production rules to which use of the "Scotch Whisky" GI is subject, it can be sold at a substantially lower price than our authentic products: Golden Age retails at about US\$ 4 against US\$ 17 for our whiskies.

Our governing trade association, the Scotch Whisky Association, has therefore filed a complaint at our request alleging infringement of our GI, which is protected under Romanian law.

And now, a word on consumers (slide 13)

GIs are also a response to the consumer's demand for product safety and quality guarantees. This subject is becoming more and more important, notably in Europe, where the precaution principle has become the reference criterion for the authorities: some GIs are subjected to strict grant criteria, where the award of the GI presupposes observance of a stringent set of rules.

To take the example of Tequila: as we have seen, no product may bear this name in Mexico unless it conforms to precise criteria in terms of ingredients and production process. It is clear in this case that the GI is a guarantee of quality, as it denotes a better control of the product's traceability. Because of that, a trademark backed up by a GI can combine the commercial energy specific to the trademark with the guarantee of quality provided by the GI. So once again the relationship is entirely complementary. (slide 14)

I should like now to give you the benefit of four thoughts on the manner in which GIs should be protected. We know that multilateral negotiations are important and we welcome the progress made with the introduction of universally recognized rules. That said, Pernod Ricard is a business concern which lives and operates "in the field." So, at the risk of antagonizing a certain number of you, I wish to lay stress on an essential element: what we operators are looking for above all is not so much a beautiful international treaty encompassing a whole series of beautiful theoretical principles as a situation where the rights listed in such a treaty are recognized and efficiently and effectively implemented.

It has to be said that, even today, the TRIPS Agreement is of little practical assistance in the protection of either trademark or GI law. I would point out in support of this that very few States have converted the principles set forth in the TRIPS Agreement into national legislation, on the pretext that it already conforms to them.

For us, such a system of multilateral protection should offer the following features:

1. Legal security for the holders of GIs (slide 15)

This security should be twofold:

- the holders should know what protected GI there are for each country (according to the exceptions allowed on the basis of the various typical cases provided for in TRIPS Article 24);
- they should be assured that GI protection will be recognized by the national courts that actually hear disputes.

2. Efficacy of GI protection

A number of things are essential for protection to be efficacious: (slide 16)

- a presumption of GI validity should be created that is internationally recognized (register);
- the burden of proof should be reversed where a person disputes the GI character of a supposedly internationally recognized name (register);
- the mechanism for international recognition should be made into a mandatory reference for national courts (register). (slide 17)

3. Specific procedures for GI protection

As far as we are concerned, the actual procedures are of little importance, provided that the principles that I have just mentioned are embodied in them.

I shall merely observe that the WTO negotiators decided that on the introduction of a register in order that a high level of protection might be achieved for the GIs of wines and spirits. This is now a done deed which does not have to be discussed. What we have yet to do is work out how to make it useful to operators, by opening it up fully so that can help them fight infringement.

On this basis, it has to be admitted that our approach to the role of the register and its operation is the same as the EU's. Ultimately, the system proposed by Europe is similar to existing machinery for the registration, protection and recognition of trademarks, with which operators are involved daily. On the other hand, the proposal that consists in simply creating a database is of no interest to us: that would not help us solve our very real problem of infringement.

In conclusion, an international treaty like the TRIPS Agreement is of absolutely no interest if it is not actually, and properly, implemented. It is not of much interest either if it is interpreted very restrictively. (slide 18)

In this connection I should like to give you one last example and, as we are in the United States of America, I have to mention the WTO's condemnation of this country for its failure to abide by the TRIPS Agreement.

I have to add that I have not come here to stir up the controversy surrounding this issue, but rather to try and elicit from our experience a lesson for all holders of trademarks with or without GI back-up; I am of course talking about the "Havana Club" affair. (slide 19)

Those who are interested in the case will find all the documents concerning it on the WTO website.

Above all the dossier gives me the opportunity to draw your attention to two things: (slide 20) (1) the effect of failure to convert the TRIPS Agreement into national law, and (2) the extreme restrictiveness of the analysis made by the WTO arbitrators on the interpretation of the Agreement.

(1) First, the actual effect of failure to convert the TRIPS Agreement into national law is that a trademark owner is precluded from invoking one or other of the principles written into the Agreement before a national court (to prevent third parties from infringing a trademark – Article 16).

We found this out to our cost before the US courts (specifically the District Court and Court of Appeals of New York), before which we sued for infringement of four Havana Club trademarks.

(2) Secondly, I would suggest that all trademark owners should read carefully the arbitrators' interpretation of our case.

To take just one or two examples, if the arbitrators are to be believed, the exceptions provided for in TRIPS Article 15.2 (which has to do with the trademark registration procedure) are not listed limitatively, so that a Member can quite legitimately provide for a number of others, indeed without any limitation (subject to their not being discriminatory).

Paragraph 159 of the report of the Court of Appeals reads as follows:

“The right of Members under Article 15.2 to deny registration of trademarks on grounds other than the failure to meet the distinctiveness requirements set forth in Article 15.1 implies that Members are not obliged to register any and every sign or combination of signs that meet those distinctiveness requirements.”

Similarly, for the arbitrators, nothing in the TRIPS Agreement allows a decision to be taken on how to determine who is the holder of trademark rights. As a result, in an extreme case, a Member could very easily freely decide – without it being possible to dispute the decision (at least as far as the TRIPS Agreement is concerned) – that only one -legged persons are entitled to have their trademarks registered!

As paragraph 200 of the report of the Court of Appeals puts it:

“... For neither Article 16 nor any other Article of the TRIPS Agreement determines who owns or does not own a trademark.”

Ultimately, the TRIPS Agreement seems to deal only with aspects of mere form (what a trademark actually is), and not with the substance of the problem, in other words the means of settling disputes over the ownership of a trademark. It is plain to see: those who believe that the TRIPS Agreement is the alpha and omega of trademark law have grounds for quiet. Which leads me back, once again, to my contention that Pernod Ricard’s aim is that the Agreement should move onto the stage of actually being applied, and not remain stalled at the stage of mere pronouncements.

What I have just illustrated regarding trademarks – the ineffectiveness of the TRIPS Agreement – is all the more applicable to GIs, as little or nothing exists at the international level in that field. In conclusion, I do not want you to go away with the impression that Pernod Ricard is nothing other than the militant wing of the European Union (slide 21 part 1). The system of GI protection in the EU is far from perfect: we have experienced a great many instances of a dysfunctional *ex officio* intervention system (whereby the fraud control authority intervenes automatically, without a complainant having to be filed by the producer).

Faced with the inertia of the supervisory authorities, our profession has had to institute numerous legal proceedings to secure protection for its rights, notably in France, Belgium and Italy. In those countries we have proceeded against numerous, repeated infringements of our Irish Whisky and Scotch Whisky GIs, this for want of *ex officio* action on the part of the authorities.

Neither is the system perfectly coherent in Europe: not long ago anational official wondered about the legality of the mention of “Sherrywood finish” on the labelling of a Scotch Whisky (slide 21 – part 2). In other words, can one use a GI that is specific to wines in the description of a product, in this instance a Scotch whisky, which has matured in a sherry cask for several years in order to acquire its characteristic taste?

As we can see, the field of GIs for wines and spirits is a complex one, and not without its defects. The fact remains, however, that GIs offer a guarantee of the authenticity of the product to the consumer and quite considerable added value to the producer.

We are not extremists: whether we are talking about trademarks or GIs for wines and spirits, what we want is for the intellectual property rights guaranteed by international treaties to be actually protected (slide 22 – part 1). The fight against infringement is a major objective of our sector. We should like to avoid a situation where our misadventures with the protection of our trademarks do not recur with GIs. This is why we are asking for effective protection to be given to both trademarks and GIs (slide 22 – part 2).

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