



## A NOTE ON THE COSTS, BENEFITS, PROCESS AND LEGISLATIVE IMPLICATIONS OF ACCEDING TO THE MADRID AGREEMENT

### Summary

- **Costs:** it costs nothing to join the Madrid Agreement, because Georgia is already a Member of the World Intellectual Property Organization (WIPO). There are implementation costs, but given the focus of the agreement this can be absorbed within current customs authorities and other existing government structures.
- **Benefits:** The Madrid Agreement focuses on enforcement, while the Lisbon Agreement is mostly focused on registration. Though complementary, the Madrid Agreement provides stronger remedies (seizure and prohibition of importation) and it specifically prohibits use of wine appellations as generic names. Because it covers a wider range of countries, it is therefore an additional important tool for enforcing Georgia's protection of wine appellations internationally.
- **Process:** Ratification by parliament is necessary, like for any other international agreement. An internal process of consultation will also be necessary. The main question is who takes the lead in this process? Ordinarily, the Ministry of Foreign affairs will take the lead, upon initiation by either SAKPATENTI or the Ministry of Agriculture.
- **Legislative Implications:** Strictly no major legislative revisions will be necessary prior to or following accession to the Madrid Agreement. There is only one legislative implication. That is, that since its principal means of enforcement is through seizure and prohibition of importation, customs authorities will need to be empowered to use these means of controlling cross-border movement.

## **I. Introduction**

There are a number of international legal instruments that provide for the protection of Geographical Indications. These include: the *Paris Convention for Protection of Industrial Property* (Paris Convention), the *Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods* (Madrid Agreement), the *Lisbon Agreement on the Protection of Appellations of Origin and their Registration* (Lisbon Agreement), and the *WTO Agreement on Trade-Related Aspects of Intellectual Property Rights* (TRIPs). Georgia is a member to all these except the Madrid Agreement.

This note focuses on the costs, benefits, process and legislative implications of acceding to the Madrid Agreement. It seeks to answer two questions: (i) why and through what process should Georgia accede to the Madrid Agreement? (ii) What rights and obligations does that agreement create, and how is it different from the other agreements listed above?

## **II. The Madrid Agreement**

### **A. What are the objectives of the Agreement?**

The objective of the 1891 *Madrid Agreement* is the “repression of false or deceptive indications of sources on goods.” According to Article 1(i) of this agreement, “all goods bearing a false or deceptive indication by which one of the countries to which this agreement applies, or a place situated therein, is directly or indirectly indicated as being the country or place of origin shall be seized on importation into any of the said countries.” In the event that seizure is not possible under national law, the agreement provides that import prohibitions should be applied.

Therefore, according to the agreement:

*All goods, including wine, bearing a false or deceptive indication of source, by which one of the contracting States, or a place situated therein, is directly or indirectly indicated as being the country or place of origin, must be seized on importation, or such importation must be prohibited, or other actions and sanctions must be applied in connection with such importation.*

Article 4 of the *Madrid Agreement* is most instructive in its categorical statement that geographical indications of wines shall not be used as generic terms. It states: “The courts of each country shall decide what appellations, on account of their generic character, do not fall within the provisions of this Agreement, *regional appellations concerning the source of products of the vine being, however, excluded from the reservation specified by this Article.*” This agreement is therefore stronger than the *Paris Agreement* regarding the extent of protection it gives to geographical indications on wines. In fact, its very existence arose from the dissatisfaction with the *Paris Agreement*.

The Agreement provides for the cases and the manner in which seizure may be requested and carried out. It prohibits the use, in connection with the sale or display or offering for sale of any goods, of all indications in the nature of publicity capable of deceiving the public as to the source of the goods.

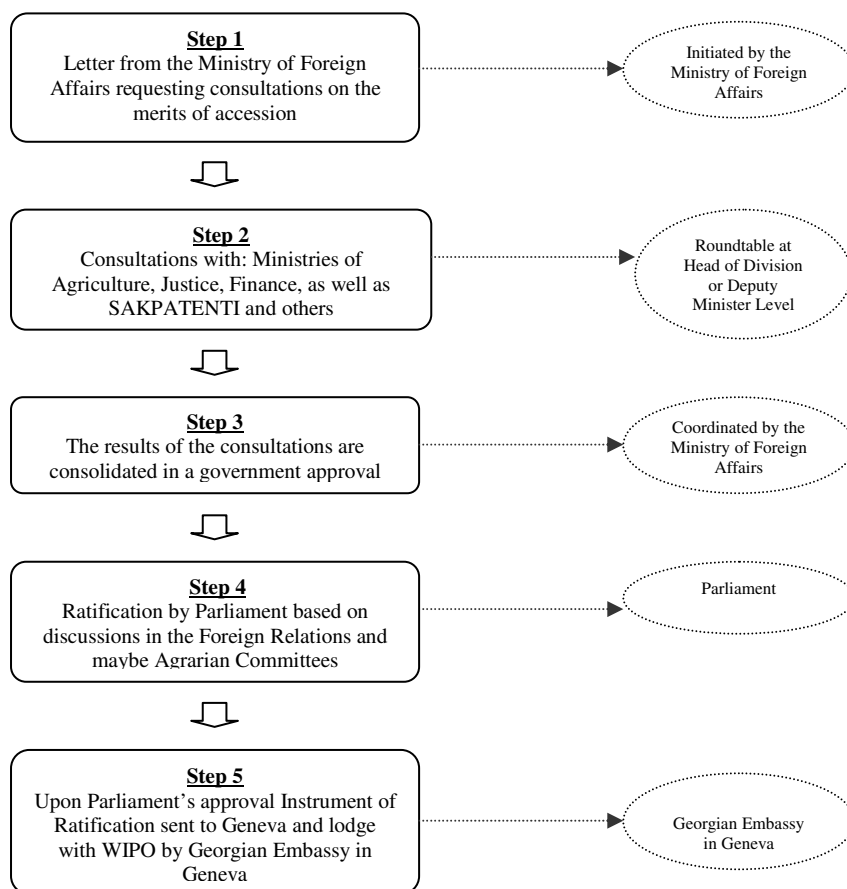
### **B. Which countries are Parties to the Agreement?**

As of October 2006, the Madrid Agreement has 34 member states. These include: Czech Republic, Slovakia, Bulgaria, Israel, Serbia, and Moldova. It has not attained a high degree of popularity partly owing to the perception that its provisions on GIs protection are too strong, but this is precisely why it would be useful for Georgia to join.

## **III. The Process of Acceding to the Madrid Agreement**

Initiating the process of accession may be done by the Ministry of Agriculture or by SAKPTENTI. This should take the form of a letter to the Ministry of Foreign Affairs, indicating the importance and potential usefulness of the agreement to Georgia. The Ministry of Foreign Affairs will then officially start the

process by requesting consultations with relevant government ministries and agencies. For the case of Georgia, there are four steps to acceding to the Madrid Agreement:



#### IV. The Costs, Benefits

##### A. The Costs

A country such as Georgia, which is already a Member of WIPO, does not need to pay any extra fees for acceding to the Madrid Agreement. However like for any other international agreement, there are implementation costs, especially with regard to enforcement measures. Monitoring and reporting will usually be done in the context of general WIPO reporting obligations because the agreement does not create specific reporting obligations.

##### B. The Benefits

In general, the Lisbon Agreement is most useful for registration, while the Madrid Agreement is stronger in enforcement. The Lisbon Agreement creates a 'system', and therefore a bureaucracy, in order to carry out its registration function better, while the Madrid Agreement is focused essentially on enforcement, which is an inter-State issue, and therefore does not create a 'system'.

- *Strong Remedies*: The agreement gives an immediate and strong remedies: *seizure* by customs officials upon importation, or in the country of source (Article 1:2), or *prohibition* of importation where seizure is not possible (Article 1:3). These remedies are stronger than those available under the Paris Agreement.
- *No wine appellations can ever be generic*: The agreement explicitly states that wine appellations can never be generic (Article 4). This is good for Georgia's position because it goes against the

underlying argument of many of the countries producing fake Georgian wines. It counters the argument that has been used by many of the “new world” wine producers. The agreement follows the traditional view of terroir which cannot be replicated exactly. This agreement is therefore very strong regarding the extent of protection it gives to geographical indications on wines.

## **V. Legislative Implications**

Acceding to the Madrid Agreement has only one major legislative implication. That is, that since its principal means of enforcement is through seizure and prohibition of importation, customs authorities will need to be empowered to use these means of controlling cross-border movement.

Both tools (seizure and prohibition of importation) are already available under Georgia’s trade laws. Therefore, following accession, no major legislative revisions are necessary explicitly arising from the Madrid Agreement.

## Parties to the Madrid Agreement

State	Date on which State became party	Latest Act of the Agreement to which State is party and date on which State became party to that Act	
Algeria	July 5, 1972	Lisbon:	July 5, 1972
Brazil	October 3, 1896	The Hague:	October 26, 1929
Bulgaria	August 12, 1975	Lisbon:	August 12, 1975
Cuba	January 1, 1905	Lisbon:	October 11, 1964
Czech Republic	January 1, 1993	Lisbon:	January 1, 1993
Dominican Republic	April 6, 1951	The Hague:	April 6, 1951
Egypt	July 1, 1952	Lisbon:	March 6, 1975
France	July 15, 1892	Lisbon:	June 1, 1963
Germany	June 12, 1925	Lisbon:	June 1, 1963
Hungary	June 5, 1934	Lisbon:	March 23, 1967
Iran (Islamic Republic of)	June 18, 2004	Lisbon:	June 18, 2004
Ireland	December 4, 1925	Lisbon:	June 9, 1967
Israel	March 24, 1950	Lisbon:	July 2, 1967
Italy	March 5, 1951	Lisbon:	December 29, 1968
Japan	July 8, 1953	Lisbon:	August 21, 1965
Lebanon	September 1, 1924	London:	September 30, 1947
Liechtenstein	July 14, 1933	Lisbon:	April 10, 1972
Monaco	April 29, 1956	Lisbon:	June 1, 1963
Morocco	July 30, 1917	Lisbon:	May 15, 1967
New Zealand	July 29, 1931	London:	May 17, 1947
Poland	December 10, 1928	Hague:	December 10, 1928
Portugal	October 31, 1893	London:	November 7, 1949
Republic of Moldova	April 5, 2001	Lisbon:	April 5, 2001
San Marino	September 25, 1960	Lisbon:	June 26, 1991
Serbia and Montenegro	May 18, 2000	Lisbon:	May 18, 2000
Slovakia	January 1, 1993	Lisbon:	January 1, 1993
Spain	July 15, 1892	Lisbon:	August 14, 1973
Sri Lanka	December 29, 1952	London:	December 29, 1952
Sweden	January 1, 1934	Lisbon:	October 3, 1969
Switzerland	July 15, 1892	Lisbon:	June 1, 1963
Syrian Arab Republic	September 1, 1924	London:	September 30, 1947
Tunisia	July 15, 1892	London:	October 4, 1942
Turkey	August 21, 1930	London:	June 27, 1957
United Kingdom	July 15, 1892	Lisbon:	June 1, 1963

Total: 34 States, as of October 2006.

Source: WIPO

### Summary and Comments on the Key International Agreements Focusing on the Protection of Appellations of Origin (AOs) and Geographical Indications (GIs)

International Agreement	Main Objectives Relating to GIs and AOs Protection	Remedies	Comments
The Lisbon Agreement for the Protection of Appellations of Origin and their International Registration, 1958 (The <i>Lisbon Agreement</i> )	<ul style="list-style-type: none"> <li>○ Focused on registration and adopts a very narrow definition of “Appellation of Origin” (Article 2). Hence, it grants a high degree of protection.</li> <li>○ Protects against usurpation or imitation.</li> <li>○ For an AO to be protected under this agreement, the AO should be protected in its country of origin, and the AO should be registered in the WIPO International Register. WIPO notifies all members about registration of AO</li> </ul>	<ul style="list-style-type: none"> <li>○ Once WIPO notifies of the registration of an AO, every member is obliged to protect that AO.</li> <li>○ If AO protection is not granted or is refused, interested parties may resort, in the refusing country, to all judicial and administrative remedies available to nationals of that country.</li> </ul>	<ul style="list-style-type: none"> <li>○ The Lisbon Agreement establishes the only international register in force to date on appellations of origin.</li> <li>○ Countries that are not members of the agreement are not bound to protect AOs even if such AOs are in the international register.</li> <li>○ The agreement has 23 Members at the moment. It has not attained a high level of popularity due to the strict level of protection given to AOs.</li> </ul>
The Paris Convention for the Protection of Industrial Property, 1883 (the <i>Paris Convention</i> )	<ul style="list-style-type: none"> <li>○ Starts from the broad concept of “Indications of Source or Appellations of Origin”<sup>*</sup></li> <li>○ Article 10(2): no indication of source may be used if it refers to a geographical area from which the product in question does not originate.</li> </ul>	<ul style="list-style-type: none"> <li>○ Seizure of the product bearing a false indication of source upon importation (Article 10:2)</li> <li>○ Prohibition of Importation (Article 10:2)</li> <li>○ Obliges members to provide protection against unfair competition. (Article 11<i>bis</i>)</li> </ul>	<ul style="list-style-type: none"> <li>○ The remedies of seizure and prohibition are applicable also and perhaps most useful to countries that are not WTO Members.</li> <li>○ Usually, sound enforcement in third countries involves diplomatic efforts.</li> <li>○ Enforcement lies most with the market countries, that is, the countries in which consumers purchase the products.</li> </ul>
The Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods, 1891 (the <i>Madrid Agreement</i> )	<ul style="list-style-type: none"> <li>○ The agreement is focused on enforcement.</li> <li>○ Article 4: is a special provision by which courts of any country can decide what indications of source do not fall within the provisions of the agreement because of their generic character. However, regional appellations for vines are excluded. Hence, this is the basis for special sectoral GIs especially for wines.</li> </ul>	<ul style="list-style-type: none"> <li>○ All goods bearing false or deceptive indications shall be seized upon importation.</li> <li>○ Seizure shall be effected in the country where the false indication is applied or where goods are destined.</li> </ul>	<ul style="list-style-type: none"> <li>○ The agreement has 34 members as of October 15 2004.</li> <li>○ While the Paris Convention is broad, the Madrid Agreement provides specific rules for repression of false and deceptive indications of source. (Article 1(1)).</li> </ul>
The Agreement on Trade Related Aspects of Intellectual Property Rights, 1994	<ul style="list-style-type: none"> <li>○ The TRIPs definition of GIs (Article 22.1) is different from the concept of “Appellations of Origin”</li> <li>○ Article 22 requires that Members should provide minimum protection for all GIs.</li> <li>○ Article 23 is additional protection for wines and spirits, and additional only for wines at Articles 23.3 and 23.4.</li> </ul>	<ul style="list-style-type: none"> <li>○ Any designation which misleads the public as to the geographical area of the good is not allowed.</li> <li>○ Every member should provide legal means to protect GIs.</li> <li>○ Every member should provide means to prevent unfair competition. (Articles 22 of TRIPs and 10<i>bis</i> of Paris Convention)</li> </ul>	<ul style="list-style-type: none"> <li>○ Many countries face significant problems in implementation, especially of the provisions on GIs.</li> <li>○ and, also on sound enforcement of legislation and international legal instruments that guarantee protection to GIs and AOs.</li> </ul>

\* “Appellations of Origin” are linked to quality or some other characteristics belonging to similar geographical environment where the products originate while, “Indications of Source” simply refer to the source and nothing else and especially nothing about quality.