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**NEW ZEALAND WINEGROWERS SUBMISSION ON DISCUSSION PAPER: EU-NZ Free Trade  
Agreement – Reform of Geographical Indications Law in New Zealand**

**FEBRUARY 2023**

**Introduction**

New Zealand Winegrowers (**NZW**) provides strategic leadership for the wine industry and is the body that represents the interests of all of New Zealand's grape growers and wine makers. Established in 2002, NZW is funded by compulsory levies under the Commodity Levies Act and the Wine Act and has approximately 1,400 members. New Zealand is the only major wine producing country to have a single, unified industry body that represents both grape growers and winemakers.

Thank you for the opportunity to provide feedback on the Discussion Paper *EU-NZ Free Trade Agreement: Reform of Geographical Indications Law in New Zealand (the Discussion Paper)*. NZW's comments on the Discussion Paper are set out in the following submission.

In a number of places this submission also references our earlier submission in the original consultation on the GI framework. This submission remains relevant and should be read together with this submission.

**Section 2. Extending the Scope of the Registration Regime for Geographical Indications (GIs)**

- 1. Are there products other than wines and spirits being produced in New Zealand that are labelled with a name that indicates the products have a characteristic that is essentially attributable to its geographical origin? Are any of these products being exported and, if so, to where, and what export revenues do these products generate for New Zealand producers?*
- 2. Is the inability to register these names under the GIs Act causing any problems and, if so, what?*

3. *What would be the advantages (or disadvantages) of extending the current registration regime to include GIs for food and beverages other than wine and spirits?*

NZW does not express a view on GI issues related to products other than wine. It does not have any objection to the current GI Act being extended to include GIs for other food products. NZW requests that any protections for food GIs include specific recognition that wine is not a “same or a similar good” to other foods or beverages for the purposes of Article 18.33(3)(a), to avoid any uncertainty around GI protections for products other than wine being applied to wine.

### **Section 3. Enforcement of Geographical Indications**

NZW’s overall position on the enforcement of geographical indications is that such provisions should adhere to the provisions of the NZ-EU Free Trade Agreement (**FTA**) and other international obligations **but should go no further**. In NZW’s view, a strict approach should be taken to the interpretation of enforcement provisions in order to avoid making additional concessions that would not be reciprocated.

NZW is concerned that the discussion of administrative enforcement measures overstates the Parties’ obligations in respect of ex officio actions. NZW also believes that it is not necessary to interpret the general enforcement provisions of Section C of Article 18 more expansively than it has interpreted the equivalent TRIPs provisions in the past, particularly with regard to the deterrent effect of remedies. As a result, NZW does not agree with some of the premises for the questions posed in the Discussion Paper. This view is expanded upon in our responses to the questions.

NZW would also like to re-iterate a general concern expressed during the negotiations about the reciprocity of EU protections and enforcement of GI protections. There does not appear to be any mechanism in EU regulations to provide for the scope of protection, enforcement mechanisms or remedies for third country GIs that have been agreed in the FTA. If these protections are to be provided at Member State level, then there is no transparency regarding the implementation of these protections at Member State level. In practical terms, seeking protection for a New Zealand GI in each EU Member State to the level agreed in the FTA would appear to be virtually impossible. Therefore, there is not only a great imbalance in the number of GIs protected under the FTA, but there is an equally great imbalance in the accessibility of GI protections. From NZW’s perspective, this disparity places additional emphasis on the need to implement only the specific obligations of the FTA.

4. *Do you agree with our preferred option (Option iii) of providing provisions for the enforcement of GIs within the GIs Act? If not, where should these provisions be and why?*

NZW agrees that Option iii is the most appropriate option for providing enforcement provisions for GIs. The provisions for protection and enforcement of GIs in the FTA are very specific. Relying on the enforcement provisions of another statute could result in an extension beyond the obligations of the FTA (e.g. where that statute provides remedies beyond those specified in the FTA).

5. *Which option do you prefer for the court(s) to hear and determine the infringement of a registered GI, and why?*

NZW does not have a strong view on this point, but it seems sensible to take an approach that is consistent with the Trade Marks Act 2002.

6. *Do you agree with our preferred option (Option iii) to limit persons who may initiate civil action for the enforcement of GIs to “interested persons”? If not, who do you think should be able to take legal action and why?*

The persons who may initiate civil action are already determined by Articles 18.34 and 18.47, so Options i and ii are not viable.

In NZW’s view, interested persons should be limited to the categories listed in Article 18.47, noting that legitimate GI users should fall within 18.47(b).

7. *What would be the advantages (or disadvantages) of providing the same remedies to address an infringement of a GI as are provided under the Trade Marks Act for the infringement of a trade mark?*

NZW is strongly of the view that the full suite of remedies available to trade marks, and in particular financial remedies such as damages and account of profits, is not appropriate in the case of GIs.

NZW notes that there was no consultation on the remedies for GI infringement that are set out in the Article 18 Section C of the FTA (other than the border protection measures). These remedies go far beyond existing remedies for infringement of GIs under the Geographical Indications (Wine and Spirits) Registration Act 2006 (**GIs Act**). If NZW had been given the opportunity, it would have expressed deep concerns about the application of these remedies to GIs.

As the Discussion Paper acknowledges, unlike trade marks, GIs are a collective right and there is generally no injured party when a GI is infringed. Consequently, there is no rationale at law for the imposition of damages. Damages for trade mark infringement are generally intended to be compensatory in nature i.e. to place an injured party in the position that they would have been but for the infringement. They are not intended to be punitive. If there is no injured party, there is no justification for compensatory damages and therefore damages become a wholly punitive measure which is not their primary purpose.

With regard to account of profits, the FTA does not appear to oblige New Zealand to implement this remedy for infringement of intellectual property rights. It is not specifically mentioned in the FTA and NZW is strongly of the view that such a remedy should not be introduced in respect of GIs when there is no obligation to do so.

An account of profits is meant to be restorative and not punitive. As with damages, there is no injured party to whom restoration should be made, and an account of profits would therefore become a wholly punitive measure which is not its primary purpose. Further, account of profits is a remedy based in equity, premised on depriving a defendant from making profits based on wrongdoing. However, the considerations around wrongdoing and equity are entirely different for a trade mark than for a GI.

In terms of remedies, infringement of a GI is not directly comparable to infringement of a trade mark. Trade mark infringement applies to conflicting use of a distinctive sign as a trade mark. Registered trade marks can be easily ascertained by searching the register. There is a robust and transparent process for examination, opposition and cancellation of trade marks that operates on an equal basis for traders and has been in place for many years.

By contrast, GI infringement applies to any use of an essentially descriptive term, regardless of whether the term is used as a GI or whether the usage is truthful and not misleading. GIs can be infringed by the use of translations or transliterations, which may be virtually impossible for an infringing user to identify.

Under the FTA, GIs do not go through an equivalent registration process to trade marks. As the opposition procedure currently stands, the grounds for opposition are narrow, the decision-making process lacks transparency, and there is no provision for an appeal. Under this regime, a word or term historically used in good faith in New Zealand can become an infringing term with little or no recourse for New Zealand traders.

In short, damages and account of profits are not suitable remedies for GI infringement because they will always be punitive in the context of a system where the majority of infringements will be innocent or in good faith, and in which New Zealand traders have very limited opportunities to participate. By contrast, in the trade mark registration system, damages and account of profits are not punitive remedies, infringements only apply to trade marks as trade marks, and New Zealand traders can participate in the system freely and equally.

NZW strongly disagrees with the statement that an injunction would not be a sufficient deterrent against infringement of a GI, and also the implication that punitive financial remedies such as damages and account of profits are needed as a deterrent to GI infringement. The requirement that remedies be dissuasive is tempered by the requirement that they be proportionate to the nature of the infringement (Article 18.46(2)(c)). As above, there is very different balance of considerations around GI infringement. There is not in general a problem with GI infringement in New Zealand such as would require a strong deterrent. NZW's view is that the remedy of injunction is a sufficient deterrent and that damages and account of profits would be grossly disproportionate.

In this respect, NZW notes that TRIPs Article 41 also includes a requirement for remedies to constitute a deterrent to further infringements. Yet in implementing the higher-level Article 23 protections for wines and spirits through the GIs Act, it was never considered necessary by the New Zealand Government to introduce these additional punitive measures as a deterrent. There is no reason why an additional deterrent would be warranted now.

Further, NZW is concerned that the availability of damages and account of profits as remedies for GI infringement could be misused and in fact deter legitimate users of words that should not be covered by GI protections. In practice, GI enforcement usually occurs through the threat of legal action, rather than by Court proceedings. A small winery faced with the threat from a powerful European GI defence group of costly legal proceedings involving damages or an account of profits would likely back down, no matter how debateable the alleged infringement.

*8. What other remedies (other than those provided for under the Trade Marks Act) should be adopted for addressing the infringement of a GI and why?*

NZW does not consider that any additional remedies should be adopted. In NZW's view, the measures in Articles 18.51 to 18.53 and the border enforcement measures in Article 18.60 are more than sufficient to protect GIs.

9. *Do you agree on basing the border protection measures for GIs on the Trade Marks Act? If not, what other measures should be adopted instead?*

10. *If the border protection measures based on the Trade Marks Act were to be adopted for GIs, what changes (if any) should be made to those measures and why?*

NZW reiterates its position in the original consultation on the GI framework that it does not support the use of border protection measures for GIs.

NZW does not have a strong view on the choice of border protection mechanism, however it notes that if the trade mark mechanism is used it would need to address certain fundamental differences between trade marks and GIs.

- Unlike trade marks, GIs do not have a single owner or registrant. This raises questions about who should be entitled to lodge a Customs Notice.
- Not all users from outside the GI are infringing. The system would need to account, for example, for: transitional exemptions provided for pre-existing uses of certain terms; the rights of pre-existing trade mark owners; generic components of multicomponent GIs etc.
- Not all users from within the GI are legitimate. There are multiple cases of wines coming from the named GI that are not entitled to use the GI because they do not conform to the rules, such as the [Brunelloagate](#) scandal.
- The scope of GI protection is less clear-cut than the scope of trade mark protection. There is a significant grey area in terms of the scope of protection particularly with respect to Articles 18.34(1)(a)(ii), (1)(b) and (1)(c). It would be difficult for a Customs official to interpret.

All of these factors mean that determining whether or not the use of a GI is legitimate or not is likely to be a more complex task than for a trade mark. These issues will need to be addressed to avoid unnecessary detention of goods and misuse of the process (e.g. by competing interested persons).

11. *Do you agree with the preferred option of limiting persons who may lodge a notice with Customs to those persons who have an interest in the GI concerned? If not, who should be able to and why?*

As above, NZW considers that the fact that there are potentially multiple interested persons who could lodge a Customs Notice presents difficulties. Allowing one out of a number of legitimate users to assert rights that affect the ability of all legitimate users to enter the market is inherently

problematic. NZW's position is that only entities that are representative of the collective of users of a particular GI should be permitted to file a Customs Notice.

*12. What would be the advantages (or disadvantages) of providing the same investigative powers currently available to the Commerce Commission under the Fair Trading Act to the agency responsible for providing the administrative enforcement of GIs? Are there any other investigative powers that should be provided instead?*

NZW does not agree with the provision of any investigative powers to the Commerce Commission to act on its own initiative, because NZW fundamentally disagrees with the assumption in the Discussion Paper that New Zealand is obliged to provide ex officio administrative enforcement of GIs.

It is very important to base any GI legislation on a clear and precise understanding of the scheme of the enforcement provisions under the FTA. The starting point is to distinguish between:

- the core protections granted to GIs; and
- enforcement of those protections.

This is a key distinction because the enforcement provisions should merely enforce core GI protections but not expand their scope.

There are two specific sets of obligations in respect of the protection of GIs in the FTA. The first is the general set of obligations to prevent misuse of a GI which are set out in Article 18.34. The scope of these obligation extends only to interested parties. This is clear in Article 18.34.1 which reads:

*1. Each Party shall, in respect of geographical indications of the other Party listed in Annex 18-B (Lists of geographical indications), provide the legal means for interested parties to prevent in its territory... [emphasis added]*

The second set of obligations is in relation to trade marks under Article 18.37.1, as follows:

*The registration of a trademark that contains or consists of a geographical indication of the other Party listed in Annex 18-B (Lists of geographical indications) shall be refused or invalidated, ex officio, if the Party's laws and regulations so permit or at the request of an interested party, with respect to a good that falls within the product class specified in Annex 18-A (Product classes) for that geographical indication and that does not originate in the place of origin specified in Annex 18-B (Lists of geographical indications) for that geographical indication.*

This imposes an obligation on the New Zealand government to act on its own initiative if its laws and regulations so permit, or at the request of an interested party.

Article 18.38 “Enforcement of Protection” contains specific obligations regarding enforcement as follows:

*Each Party shall provide that geographical indications listed in Annex 18-B (Lists of geographical indications) are enforced ex officio or at the request of an interested party, in accordance with its law by appropriate administrative and judicial steps.*

This Article must be read subject to the actual protections that are to be enforced under the FTA. It is about enforcement of the specified protection and should not be read as expanding the scope of the protections themselves. The obligation under Article 18.34.1 is to provide for civil enforcement only. Therefore, Article 18.38 should not be read as requiring that the Article 18.34.1 protections must also be enforced on the initiative of the New Zealand authorities.

In NZW’s view, the phrase “ex officio or at the request of an interested party” should be read in conjunction with the following words “in accordance with its law”. In NZW’s reading, this is not an obligation to make all protections available both ex officio and on request. Rather, enforcement may be ex officio or on request depending on what the law of the Party allows, provided that the obligations of the FTA are met. In this case, the law of New Zealand should follow the text of the FTA and allow for enforcement of the Article 18.34.1 protections only on request of an interested party. The protections for trade marks under Article 18.37.1 can be made both ex officio and upon request as New Zealand law current permits.

In this respect, NZW draws particular attention to the fact that as far as it is aware there is no mechanism in the EU for ex officio administrative enforcement of general GI protections for third countries and it is improbable that any such protections would be introduced as a result of this FTA. Consequently, if New Zealand were to introduce new ex officio administrative enforcement mechanisms, this is unlikely to be reciprocated by our FTA partners.

*13. What remedies should the courts be able to grant arising from administrative enforcement of GIs and why?*

As above, NZW is strongly opposed to the adoption of financial remedies for infringement of a GI. In NZW’s view, these are not required and completely disproportionate. The discussion around this



section places excessive weight on deterrence (a word that is not mentioned in the IP Chapter of FTA), and appears to disregard the key concept of proportionality.

In NZW's view, it is not logical to propose administrative enforcement options significantly beyond those prescribed in the Fair Trading Act on the grounds of deterrence, when the infringement of a GI does not even require that an infringing party has engaged in misleading or deceptive conduct such as would be sanctioned under the Fair Trading Act. If the remedies in the Fair Trading Act are considered sufficient to protect New Zealand consumers, they should be more than sufficient to protect the interests of EU producers.

#### **Section 4. Other issues**

*14. What would be the advantages (or disadvantages) for the GIs Act to provide for producers to use an official logo on their labels and packaging that verifies the GI has been registered?*

NZW does not have a strong view on this; however, we are concerned that the creation of a logo may have unintended consequences, as it may imply the anyone not using the official logo is using an unregistered GI. There is a risk that it could end up becoming a de facto labelling requirement, even if this is not the intent.

Wine is a product where labelling space is limited – this should be borne in mind if any official logo is created, the label should be easy to use and cost-effective. There should be an option to print in a single colour (including black), and the size/placement of the logo should not be prescribed.

*15. Are any of the enduring GIs (ie 'New Zealand', 'North Island' and 'South Island') being used by New Zealand spirits producers? If so, who is using them? Please provide examples of use.*

*16. If the enduring GIs are not being used for spirits, what would be the advantages (or disadvantages) arising from repealing their protection under the GIs Act?*

NZW does not have a view on GIs affecting other product categories.

*17. How might the costs to administer the GIs Act be recovered and from whom?*

NZW is disappointed that this Discussion Paper has been presented without any meaningful proposal on the issue of cost recovery. NZW has raised this issue on multiple occasions throughout the course of FTA negotiations. NZW did not support allowing EU GIs to be registered without fees because it

creates significant inequities, facilitates the registration of GIs that have no value in the market, and generates costs that are disproportionate to the value of trade concessions for wine.

NZW has already paid \$128,000 to support the registration of 18 priority New Zealand GIs, plus fees to renew each of these in 2022. These represent the vast majority of wine GIs in use in New Zealand, which is in turn New Zealand's main user of domestic GIs. They are not due to be renewed again until 2032, so wine GIs are unlikely to be a source of significant further funding.

Even if a handful of New Zealand food GIs emerge, or there are some new registrations of other overseas GIs, the fees from these would always be inadequate to meet the cost of operating the system due to the disproportionate number of EU GIs. Additionally, charging fees to domestic producers or other international producers, when no fees are charged to EU producers, raises real questions of inequity. In NZW's view, the only practical and equitable solution to this issue is for the cost of GI registration to be borne wholly by the Government.

*18. Are there any other problems with the current GIs Act or proposed new GIs registration regime? What changes, if any, should be considered?*

NZW is very concerned that the proposed new GI registration regime does not appear to provide any process for opposition to proposals to amend the list of GIs, nor does it provide and details on how an opposition procedure might work. In NZW's view, it would not be acceptable to have a key part of the GI system that sits outside the framework of the GI Act. Decisions that have the potential to affect the trade mark rights of traders in New Zealand, or their right to use descriptive words, should be transparent and based in legislation. Persons who oppose amendments to the GI list are entitled to a reasoned explanation for decisions made in relation to their opposition. The mechanism that was used in the negotiation of the FTA fell a long way short of these expectations.

NZW is disappointed that the Discussion Paper does not include a proposal for compensation to existing rights holders. The outcomes of the FTA will mean that a number of producers, some of whom have made products for decades, will have to incur costs to rebrand those products and re-establish new versions of those products in the market. If outright compensation is not available, then the Government should consider other alternatives to support businesses through the transition period (eg assistance with rebranding).

## Conclusion

We would be happy to discuss any of the points raised in this submission in more detail.

A handwritten signature in black ink, appearing to read 'Sarah Wilson', with a stylized flourish at the end.

Sarah Wilson

General Manager Advocacy

New Zealand Winegrowers Inc