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**Conflicts between U.S. Law and International  
Treaties Concerning Geographical Indications**

by

Christine Haight Farley

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# CONFLICTS BETWEEN U.S. LAW AND INTERNATIONAL TREATIES CONCERNING GEOGRAPHICAL INDICATIONS

CHRISTINE HAIGHT FARLEY\*

## I. INTRODUCTION

It has been a great many years since the United States has been viewed as a pirate nation. Today, the United States seems to be the number one finger pointer, but certainly not usually characterized as an infringer itself. However, in the case of geographical indications, the United States is out of step with international standards. In this article, I argue that the United States has not yet fully implemented the World Trade Organization's (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights<sup>1</sup> (TRIPs or Agreement) provisions dealing

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\* Assistant Professor of Law, American University Washington College of Law. I would like to thank the Whittier Law School Center for Intellectual Property Law for inviting me to participate in Whittier Law School's 17<sup>th</sup> Annual International Law Symposium, and to the editors of Whittier Law Review for their helpful assistance in editing my remarks. I must also disclose my involvement in *Havana Club Holding, S.A. v. Galleon, S.A.*, referred to in this article. 203 F.3d 116 (2d Cir. 1999). I was involved in representing the plaintiffs in that case. The analysis provided here is entirely my own and does not represent the views of the plaintiffs or their counsel.

1. *Agreement on Trade-Related Aspects of Intellectual Property Rights* (Apr. 15, 1994), *Marrakesh General Agreement on Tariffs and Trade: Multilateral Trade Negotiations Final Act Embodying the Results of the Uruguay Round of Trade Negotiations*, Annex 1C, 33 I.L.M. 1125, 1197 [hereinafter *Agreement*]. "TRIPs constitutes Annex 1C to the Agreement Establishing the Multilateral Trade Organization of the Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations of [April 15, 1994] (hereinafter WTO Agreement)."

with geographical indications. In this regard, the United States is much like other countries that are not in complete compliance with TRIPs due to a lack of self-interest. But unlike other countries who may not yet be in complete compliance with TRIPs because the various intellectual property regimes may be new to them, the United States, I argue, has failed to fully comply because of its distinct history and theoretical perspective concerning geographical indications.

## II. RATIONALE FOR THE PROTECTION OF GEOGRAPHICAL INDICATIONS

It should not be surprising that the United States is not a major proponent of the protection of geographical indications.<sup>2</sup> Countries that stand to benefit the most from the protection of geographical indications are those that have a long history of traditional industries, such as many European countries.<sup>3</sup> These historical differences may help explain the stance that the United States has taken with regard to the protection of geographical indications, as compared to its stance towards other intellectual property rights negotiated in TRIPs Agreement.<sup>4</sup> At least in the case of trademarks, it is not overly simplistic or inaccurate to say that the United States, with the exception of protections of geographical indications, took a strongly pro-protectionist, pro-property position in these negotiations.<sup>5</sup> That is, in most cases it pushed for an expansion or ratcheting up of trademark

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Robert M. Kunstadt & Gregor Buhler, 'Bud' Battle Illustrates Peril of Geographic Marks, 20 Natl. L.J. C3, n. 4 (May 18, 1998).

2. See e.g. Kunstadt & Buhler, *supra* n. 1, at C3 ("[I]n the United States the protection of geographic indications traditionally played a minor role.").

3. *Id.* "Continental European countries such as France, Italy, Germany, and Switzerland still provide a comprehensive system of protection for their domestic geographic indications . . ." *Id.* Many "European countries . . . have traditionally protected geographical indications." Albrecht Conrad, *The Protection of Geographical Indications in the TRIPs Agreement*, 86 Trademark Rptr. 11, 12 (1996). However, developing countries surprisingly have not had the same experience. Tuan N. Samahon, *TRIPs Copyright Dispute Settlement After the Transition and Moratorium: Nonviolation and Situation Complaints Against Developing Countries*, 31 L. & Policy Intl. Bus. 1051, 1054 (2000).

4. *Agreement, supra* n. 1, 33 I.L.M. at 1197-1225.

5. Michael Blackney, *Trade Related Aspects of Intellectual Property Rights: A Concise Guide to the TRIPs Agreement* (1996); *Agreement, supra* n. 1, at 1203-05 (discussing the protection of trademarks); "[B]ut the United States-otherwise a supporter of strong intellectual property rights protection-was not willing to go too far, especially with regard to protection of wines and spirits." Kunstadt & Buhler, *supra* n. 1, at C3.

rights. In contrast, the United States was resistant to adopt the protections of geographical indications urged by some countries, such as France in particular.<sup>6</sup>

The inability of the U.S. to benefit to the same extent as European countries, because of its apparent dearth of traditional industries, does not fully explain U.S. resistance to the protection of geographical indications.<sup>7</sup> Instead, I submit, the discord is of a more fundamental nature having to do with the basic approach each continent takes to trademark law. Since the earliest days in Europe, geographical indications were used to protect certain industries.<sup>8</sup> As local reputations grew for certain products, use of the place names became attractive. To some extent such markings served as a warranty for the quality of the goods. To ensure the locale's reputation, the local industry would agree to certain standards of production. The granting of a right to use a geographical term associated with particular goods exclusively to the producers within a certain region served to limit competition, especially from producers outside that region.<sup>9</sup>

This purpose is in contrast with the theory behind the prohibition of uses of false indications of origin in the United States, under the

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6. In fact, the United States' resistance to agree on this point held up all of the WTO/GATT Agreements. W. Lee Webster, *The Impact of NAFTA, GATT and TRIPS Provisions on Trademark and Copyright Law* 44 (PLI Pat., Copys., Trademarks, and Literary Prop. Course Handbook Series No. G4-3981, 1996).

7. See e.g. *The Wine Institute* <<http://www.wineinstitute.org/communications/statistics/keyfacts/worldwineproduction.htm>> (accessed Oct. 17, 2000) (indicating that Italy and France were, respectively, the top two wine producers in the world from 1995 to 1997 in terms of total gallons produced). For instance, in 1997, France was the number one exporter of wine, a traditional industry that relies on geographical indications. *Id.*; see *Kunstadt & Buhler*, *supra* n. 1, at C3 (discussing the historical use of geographic indications for French wine, such as Champagne—the wine producing region of France).

8. J. Thomas McCarthy & Veronica Colby Devitt, *Protection of Geographical Denominations: Domestic and International*, 69 Trademark Rep. 199 (1979). Some examples include “Roquefort” for cheese (see *Community of Roquefort v. William Faehndrich, Inc.*, 303 F.2d 494, 495-96 (2d Cir. 1962) (discussing the French municipality of Roquefort's diligence in protecting its mark of “Roquefort Cheese,” a sheep's milk blue-mold cheese)), “Lipizzaner” for horses (see *Lipizzaner Stallions Dance Into Trade Brawl*, N.Y. Times, A1 (Mar. 11, 2000)), “Limoges” for China (see *In re Salem China Co.*, 157 U.S.P.Q. 600 (T.T.A.B. 1968)), and “Cognac” for liquor (see *Bureau Natl. Interprofessionnel Du Cognac v. Intl. Better Drinks Corp.*, 6 U.S.P.Q.2d 1610 (T.T.A.B. 1988)).

9. *Community of Roquefort*, 303 F.2d at 496.

Lanham Act.<sup>10</sup> In the U.S., such use is prohibited not to protect an industry, but to protect the consumer against any resulting deception.<sup>11</sup> In the U.S., generally speaking, there are no rights in a term or sign until that term or sign has become distinctive in the minds of the relevant consumer as an indicator of source.<sup>12</sup> Thus, we are reluctant to view these types of terms as conveying any kind of property rights in and of themselves before they have been invested with meaning resulting from use in commerce.<sup>13</sup>

The example of Budweiser beer illustrates these different approaches. In the U.S., we recognize a property right in the term "Budweiser" because it has been used in such a manner so as to have a particular meaning for U.S. beer drinkers—as a source identifier.<sup>14</sup> The term, however, was not free of meaning when the Anheuser-Busch Company adopted it as a trademark.<sup>15</sup> In fact, "Budweiser" beer has been brewed in Ceske Budejovice, Bohemia, known as "Budweis" in

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10. *Lanham Act*, §§ 1-46 (codified as 15 U.S.C. §§ 1051-1127 (1994)). For ease of reference, the sections of the Lanham Act are often referred to sequentially (§§ 1-46). For the purposes of our inquiry, the footnoted citations to the Lanham Act will be to the corresponding codification in title 15 of the United States Code sections 1051 et seq.

11. 15 U.S.C. § 1125(a); *S.C. Johnson & Son, Inc. v. Johnson*, 116 F.2d 427 (2d Cir. 1940) (Hand, J.) ("We are nearly sure to go astray in any phase of the whole subject, as soon as we lose sight of the underlying principle that the wrong involved is diverting trade from the first user by misleading customers who mean to deal with him."); J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* vol. 1, §§ 2:2, 2:33, 2-3, 2-57 (4th ed., West 2000).

12. *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9-11 (2d Cir. 1976); J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* vol. 2, §§ 16:1, 16:3, 16-3, 16-4 (4th ed., West 2000).

13. See e.g. *Intl. Kennel Club of Chi., Inc. v. Mighty Star, Inc.*, 846 F.2d 1079 (7th Cir. 1988); *Co-Rect Prods., Inc. v. Marvy! Advertising Photo., Inc.*, 780 F.2d 1324, 1330 (8th Cir. 1985) (discussing that a user of a descriptive mark must show that the mark has acquired a secondary meaning before the user can succeed on a claim of false designation of origin); see generally McCarthy, *supra* n. 12, §§ 16:1, 16:3, 16-3, 16-4 (discussing inherently distinctive marks and the acquisition of legal rights in a business symbol).

14. *Anheuser-Busch, Inc. v. Budweiser Malt Prods. Corp.*, 295 F. 306 (2d Cir. 1923) (holding that American consumers came to associate the term "Budweiser" with beer produced by the Anheuser-Busch company); see *Anheuser-Busch, Inc. v. DuBois Brewing Co.*, 73 F. Supp. 338 (D. Pa. 1947).

15. *Anheuser-Busch Brewing Assn. v. Fred Miller Brewing Co.*, 87 F. 864 (C.C.E.D. Wis. 1898); see also *Kunstadt & Buhler, supra* n. 1, at C3 (stating that Budweiser was developed in Bohemia, which is the historic name for what is now the Czech Republic).

German, for over 700 years.<sup>16</sup> Thus, the term “Budweiser” could have been seen as a geographical indication that was deserving of protection by reason of its association with beer production, and hence off limits to beer not produced in that region. But as most U.S. beer drinkers did not make this association at the time of its introduction, it was allowed to be used in a manner that would invest it with a different meaning—that of a brand of U.S. produced beer.<sup>17</sup>

Drawing from this example, it is apparent that U.S. trademark law is primarily concerned with the protection of consumers from the confusing use of terms in branding.<sup>18</sup> Had U.S. beer drinkers been aware of the town in Bohemia, and thought that it was desirable for beer to originate in that town, Anheuser-Busch would likely not have been free to appropriate that term for its brand. To do so would have confused consumers as to the origin of its product. However, for a country that is more concerned with protecting a traditional industry, such as breweries, the analysis would not begin and end with the consumer; but rather, would take into account the harm that might befall that industry should its geographical name be freely appropriated by outside competitors. This latter theory of protection encourages those industries to maintain high standards of quality in order to benefit from such a rights scheme. And when they do, they have the right to prevent uses of the term that would diminish that local reputation.

### III. THE TRIPS COMPROMISE

Coming from such different positions in terms of the benefits to their domestic economies resulting from protection as well as fundamentally different theories of protection, it is no surprise that what was agreed to regarding geographical indications in the TRIPS Agreement was a classic compromise.<sup>19</sup> Part II, Section 3 of TRIPS

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16. *Id.* Czech beer is sold under the name “Budweiser” and has increasingly been marketed in Western Europe “since the fall of the Iron Curtain.” *Id.*

17. *Id.* (describing “Budweiser” as dominating the U.S. market).

18. 15 U.S.C. § 1125(a) (1994).

19. *See Agreement, supra* n. 1, 33 I.L.M. at 1198, 1205-1207 (discussing the “[d]esire to establish a mutually supportive relationship between the [World Trade Organization] and the World Intellectual Property Organization . . . as well as other relevant international organizations”); *Kunstadt & Buhler, supra* n. 1, at C3 (stating that articles 22 through 24 of TRIPS reflect the final compromise achieved with respect to the protection of geographical indications).

(articles 22-24) is devoted to geographical indications.<sup>20</sup> This section begins, in article 22, by defining geographical indications as:

[I]ndications which identify a good as originating in the territory of a Member, or a region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin.<sup>21</sup>

The Agreement requires Members to provide the legal means to “interested parties”<sup>22</sup> to prevent the use of a geographical indication that suggests that the good originates from a place other than its true place of origin in a manner that is misleading.<sup>23</sup>

Article 23 of TRIPs arguably provides stronger protection than does article 22 for geographical indications used in connection with wines and spirits.<sup>24</sup> Here, Members are required to provide interested parties with the legal means to prevent the use of a geographical indication for a wine or spirit not originating in the place indicated by the geographical indication.<sup>25</sup> Unlike article 22, this article does not require that the use of the geographical indication be misleading in order to be actionable.<sup>26</sup> Furthermore, use of a false geographical indication for wines and spirits will be prohibited even where the true place of origin is indicated or where it is accompanied by terms such as “kind,” “type,” or “style.”<sup>27</sup> In short, a consumer’s reaction to the use of the geographical indication is irrelevant.

These rights, however, are seriously qualified by certain exceptions that follow in article 24.<sup>28</sup> First, Members are not required to forbid the continued and similar use of a false geographical indication of another Member on wines and spirits by any of its “nationals or domiciliaries,” who have used the term continuously in the Member territory either “for at least 10 years preceding 15 April

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20. *Agreement, supra* n. 1, 33 I.L.M. at 1205.

21. *Id.* The TRIPs Agreement was the first international treaty to define “geographical indication.” See *Agreement, supra* n. 1, 33 I.L.M., art. 22, at 1205.

22. *Id.*

23. *Id.*

24. *Id.* at 1205-06.

25. *Id.*

26. *Id.*

27. *Id.* at 1205.

28. *Id.* at 1206-07. Article 24 reflects one of the most complex negotiations.

1994” or “in good faith preceding that date.”<sup>29</sup> Second, Members may not prejudice the eligibility of a trademark application submitted in good faith, invalidate a trademark registered in good faith, or prejudice rights to a mark acquired through use in good faith, where the mark consists of a false geographical indication, and if such good faith use commenced before the term was protected in the country of the place indicated.<sup>30</sup> Third, Members are not required to prohibit the use of a false geographical indication of a Member, where such term has become generic within that territory, such as a grape varietal.<sup>31</sup>

#### IV. PROTECTION OF GEOGRAPHICAL INDICATIONS IN THE U.S.

As a result of TRIPs, the U.S. amended its law with regard to the protection of geographical indications, but not nearly to the extent required by the Agreement.<sup>32</sup> Prior to TRIPs, the Lanham Act prohibited the registration of “deceptive” marks<sup>33</sup> and marks that were “primarily geographically descriptive or deceptively misdescriptive.”<sup>34</sup> Additionally, a right of action existed against use of a mark that was likely to cause confusion or to deceive.<sup>35</sup> Congress saw fit to amend these provisions prior to TRIPs in order to implement the protections for geographical indications contained in the North American Free Trade Agreement (NAFTA).<sup>36</sup> Specifically, section 2(e) of the Lanham Act, which prohibited the registration of terms that were primarily geographically deceptively misdescriptive, was amended to include a

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29. *Id.* at 1206. The key date indicated is the date of the Ministerial meeting concluding the Uruguay Round, held in Marrakesh, Morocco, on April 15, 1994. *Id.* at 1125; *World Trade Organization* <[http://www.wto.org/english/docs\\_e/legal\\_e/ursum\\_e.htm](http://www.wto.org/english/docs_e/legal_e/ursum_e.htm)> (accessed Sept. 17, 2000).

30. *Agreement, supra* n. 1, 33 I.L.M. at 1206.

31. *Id.* at 1207.

32. 15 U.S.C. §§ 1051-1127 (1994).

33. 15 U.S.C. § 1052 (a) (1988).

34. 15 U.S.C. § 1052(e) (1988).

35. *See* 15 U.S.C. § 1125(a) (discussing the right to bring a civil action against another for using a false designation of origin or false descriptions).

36. 15 U.S.C. §§ 1052(e), (f), 1125(a); *North American Free Trade Agreement*, 19 U.S.C. §§ 3301-3473 (1994). Prior to NAFTA, it was possible to overcome a section 2(e) finding by a showing of acquired secondary meaning. *Co-Rect Prods., Inc. v. Marvy! Advert. Photo., Inc.*, 780 F.2d 1324, 1330 (8th Cir. 1985). This exception was removed in the amendments following NAFTA, unless secondary meaning was acquired prior to December 8, 1993. 15 U.S.C. § 1052(e), (f) (1994).



grandfather clause for such terms that had become distinctive before December 8, 1993.<sup>37</sup>

After TRIPs, Congress made only one change to the Lanham Act to implement the Agreement.<sup>38</sup> A clause was added to section 2(a) specifically prohibiting the use of a geographical indication, which when used in connection with wines or spirits, identifies a place other than the origin of the goods.<sup>39</sup> This clause also contains a grandfather clause, which allows such a use if it commenced before January 1, 1996.<sup>40</sup> Beyond that single amendment, Congress pronounced that the activities of the Bureau of Alcohol, Tobacco and Firearms (BATF) ensures compliance.

In fact, the BATF indirectly figures into U.S. compliance with international protections for geographical indications by regulating the labeling of alcoholic beverages in the U.S.<sup>41</sup> These regulations prohibit false or misleading claims in the labeling or advertising of alcoholic beverages, and require the prior approval of all labels used on alcoholic beverages.<sup>42</sup> More specifically, since 1960, in an effort to determine whether a geographic term is misleading, the BATF has categorized geographical indications as generic, semi-generic, and non-generic.<sup>43</sup> Generic terms may be used freely and do not require the local origin to

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37. 15 U.S.C. § 1052(e), (f) (Supp. V 1988). Another minor change was to separate section 2(e) into two clauses: one forbidding the registration of a term that, when used, is primarily geographically descriptive; and another forbidding terms that are primarily geographically deceptively misdescriptive. *Id.* § 1052(e). See *NAFTA Implementation Act, Subtitle C-Intellectual Property* Pub. L. No. 103-182, § 333, 107 Stat. 2114 (signed into law and enacted Dec. 8, 1993).

38. *Uruguay Round Agreements Act to implement GATT into United States law*, Pub. L. No. 103-465, 108 Stat. 4809, Title V. 15 U.S.C. § 1052(a) (1994).

39. *Id.* Section 2 (a) prohibits, in pertinent part:

[Registration of marks which consist of or comprise] a geographical indication which, when used on or in connection with wines or spirits, identifies a place other than the origin of the goods and is first used on or in connection with wines or spirits by the applicant [by January 1, 1996].

*Id.*

40. *Id.*

41. 27 C.F.R. §§ 4.23, 4.4 (2000) (discussing the regulation of varietal labeling, its corresponding exceptions, and the delegation of regulatory authority to the BATF).

42. *Id.* §§ 4.39, 4.50.

43. 27 C.F.R. § 4.24 (discussing examples of generic, semi-generic, and non-generic terms with geographic significance).

be indicated on the label.<sup>44</sup> In order to use semi-generic terms, the true place of origin must be indicated.<sup>45</sup> Non-generic terms, on the other hand, may be used only if the product originates in that place.<sup>46</sup>

## V. EVALUATION OF THE U.S. APPROACH

When comparing the protections afforded geographical indications in TRIPs to the protections afforded geographical indications in the U.S., it becomes apparent that there are significant disparities. First, TRIPs permits Members to use a false geographical indication only when such use was made in good faith.<sup>47</sup> However, section 2(e) of the Lanham Act excuses use of a false geographical indication simply on the condition that the mark acquired distinctiveness before December 8, 1993.<sup>48</sup> Thus, it apparently does not discriminate between good and bad faith use.<sup>49</sup> Furthermore, leaving good faith out of the equation, TRIPs only permits use of a false geographical indication if used continuously prior to April 15, 1984.<sup>50</sup> The Lanham Act only requires use since 1993 under section 2(e), or 1996 in the case of wines or spirits under section 2(a).<sup>51</sup>

Additionally, there is a potential difference between U.S. and TRIPs standards concerning misleading geographical indications and primarily geographically deceptively misdescriptive marks. TRIPs requires Members to prohibit use of a geographical indication that "suggests" that the good originates in a place other than the true place of origin in a manner that "misleads" the public.<sup>52</sup> Compare this standard with section 2(e)(3) of the Lanham Act, which prohibits

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44. *Id.*; see *Co-Rect Prods., Inc. v. Marvy! Advert. Photo., Inc.*, 780 F.2d 1324, 1329 ("A generic mark is one that refers to the common name or the nature of an article, and most courts hold that it is not entitled to trademark protection.").

45. 27 C.F.R. § 4.24(b)(1).

46. *Id.* § 4.24(c)(1).

47. *Agreement, supra* n. 1, 33 I.L.M. at 1206-07.

48. 15 U.S.C. § 1052(f) (1994).

49. Good faith in trademark law generally means that the mark was adopted without knowledge of another's prior use of that mark. See *LaTouraine Coffee Co. v. Lorraine Coffee Co.*, 157 F.2d 115 (2d Cir. 1946). In the context of geographical indications, bad faith entails some calculation to benefit from a locale's reputation. See e.g., *Am. Waltham Watch Co. v. U.S. Watch Co.*, 173 Mass. 85 (1899).

50. *Agreement, supra* n. 1, 33 I.L.M. at 1206.

51. 15 U.S.C. § 1052(a), (f).

52. *Agreement, supra* n. 1, 33 I.L.M. at 1205.

registration of any mark, which when used in connection with the goods in question, is “primarily geographically deceptively misdescriptive of them . . .”<sup>53</sup> The judicially created test for this standard has two prongs: First, does the term primarily denote a geographical place to reasonable consumers, and if so, do the goods in fact come from that place?; Second, do consumers erroneously associate the goods with that place?<sup>54</sup> In other words, use of a false geographical indication will only be actionable where U.S. consumers are aware of the locale’s reputation for the goods in question.

To illustrate the difference between the two standards, consider the hypothetical use of “Bombay” in connection with watches not made in Bombay.

Under the TRIPs standard, use of “Bombay” may tend to suggest that the origin of the watches is Bombay, which may be misleading. That is, since Bombay is not a generic term for watches, and since it does not indicate a brand before it acquires secondary meaning, reasonable consumers may think that the presence of the term indicates the place of origin. Thus, under the TRIPs approach the use would be enjoined.<sup>55</sup> However, under the U.S. approach, one would need to determine whether consumers of watches in the U.S. would likely perceive an association between watches and Bombay.<sup>56</sup> That is, if Bombay is noted for its watch industry, or if reasonable consumers would be motivated to purchase a watch, because they thought it came from Bombay, then we may conclude that such an association exists. Since neither happens to be the case, I am doubtful that a goods-place association will be found, and the use would likely be permitted in the U.S.

A third key difference is the standing requirements.<sup>57</sup> TRIPs requires Members to provide the legal means to prevent the use of a false geographical indication to all “interested parties.”<sup>58</sup> In contrast, U.S. trademark law only grants standing to persons who are “likely to

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53. 15 U.S.C. § 1052(e)(3).

54. *In re Loew’s Theatres, Inc.*, 769 F.2d 764, 764 (Fed. Cir. 1985).

55. *See Agreement*, *supra* n. 1, 33 I.L.M. at 1215 (discussing the judicial authority “to order a party to desist from an infringement”).

56. *In re Loew’s Theatres, Inc.*, 769 F.2d at 764.

57. 15 U.S.C. § 1125(a) (1997); *Agreement*, *supra* n. 1, 33 I.L.M. at 1205.

58. *Agreement*, *supra* n. 1, 33 I.L.M. at 1205.

be damaged.”<sup>59</sup> This standard has been judicially defined as “the potential for a commercial or competitive injury” in the U.S.<sup>60</sup> This potential injury will not be presumed, but must be demonstrated, and the plaintiff must be able to show a causal nexus between such harm and defendant’s actions.<sup>61</sup> Although “interested parties” are not defined in TRIPs, an interested party may be understood as a competitor, or as one who produces the goods in question in the place indicated by the geographical indication. U.S. trademark law, however, is far more exacting. In the U.S., courts have “limited standing to assert a section 43 [of the Lanham Act] claim to a ‘purely commercial class’ of plaintiffs,” or otherwise stated, to those engaged in commerce.<sup>62</sup>

Another important difference is that TRIPs mandates the prohibition of the registration and *use* of false geographical indications.<sup>63</sup> Significantly, the Lanham Act only prohibits the *registration* of such terms.<sup>64</sup> No provision was added in the TRIPs implementing legislation for “interested parties” to prevent the use of a false geographical indication.<sup>65</sup> The only avenue of redress available is a claim under section 43(a) for a person who is “likely to be damaged” by the use of a term that is “likely to cause confusion, or to cause mistake, or to deceive . . . .”<sup>66</sup>

When comparing TRIPs to the BATF standards, an obvious difference is the BATF’s creation of the “semi-generic” category.<sup>67</sup> TRIPs, of course, prohibits false geographical indications used in connection with wines or spirits, even where the true origin of the

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59. 15 U.S.C. § 1125(a).

60. *Berni v. Intl. Gourmet Restaurants of Am., Inc.*, 838 F.2d 642, 648 (2d Cir. 1988) (citing J. Gilson, *Trademark Protection and Practice* vol. 1, § 7.02[3], 7-25 (1987)).

61. *Ortho Pharm. Corp. v. Cosprophar, Inc.*, 32 F.3d 690, 694 (2d Cir. 1994).

62. *Berni*, 838 F.2d at 648 (citing *Colligan v. Activities Club of N.Y., Ltd.*, 442 F.2d 686, 692 (2d Cir. 1971)).

63. *Agreement*, *supra* n. 1, 33 I.L.M. at 1205 (emphasis added).

64. 15 U.S.C. § 1052 (1994) (emphasis added).

65. *Id.*

66. 15 U.S.C. § 1125(a) (1997). Sections 2(a) and 2(e) both deal with the *registration* of marks. 15 U.S.C. §§ 1052(a) & (e).

67. *See* 27 C.F.R. § 4.24 (2000) (“A name of geographic significance, which is also the designation of a class or type of wine, shall be deemed to have become semi-generic only if so found by the appropriate ATF officer.”).

goods is indicated.<sup>68</sup> Additionally, under TRIPs, there is an exception where the term has become generic, but there is no exception for terms that have become semi-generic.<sup>69</sup> Article 24 of TRIPs states in part:

Nothing in this Section shall require a Member to apply its provisions in respect of a geographical indication of any other Member with respect to goods or services for which the relevant indication is identical with the term customary in common language as the common name for such goods or services in the territory of that Member. Nothing in this Section shall require a Member to apply its provisions in respect of a geographical indication of any other Member with respect to products of the vine for which the relevant indication is identical with the customary name of a grape variety existing in the territory of that Member as of the date of entry into force of the WTO Agreement.<sup>70</sup>

The term "semi-generic" is in fact new to the trademark lexicon. The only guidance we are given as to what the term "semi-generic" could possibly mean is through the examples provided by the BATF, which include: Burgundy; Claret; Chablis; Champagne; Chianti; and Sauterne.<sup>71</sup>

## VI. CASE IN POINT

In order to demonstrate the gaps in protection under U.S. law, this article will analyze a recent dispute from the U.S. federal courts involving a foreign geographical indication. The case is *Havana Club Holding, S.A. v. Galleon S.A.*<sup>72</sup> It involves the mark "Havana Club" for rum.<sup>73</sup> At issue, was whether rum that was not produced in Havana could be labeled with the "Havana Club" name.<sup>74</sup> Plaintiffs, Havana Club Holding et al., a fifty-percent Cuban, fifty-percent French joint venture,<sup>75</sup> produced rum in Cuba under the mark "Havana Club."<sup>76</sup>

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68. *Agreement, supra* n. 1, 33 I.L.M. at 1205-06.

69. *Id.* at 1206-07.

70. *Id.* at 1207.

71. 27 C.F.R. at § 4.24(b)(2).

72. *Havana Club Holding, S.A. v. Galleon S.A.*, 203 F.3d 116 (2d Cir. 1999).

73. *Id.* at 119.

74. *Id.* at 119-21.

75. *Id.* at 120.

However, the plaintiffs were legally prohibited from selling their Havana rum in the U.S. because of the existing U.S. embargo against Cuba.<sup>77</sup> The defendants, Bacardi Corporation et al., wanted to establish rights to sell rum in the U.S. under the same mark, "Havana Club."<sup>78</sup> Again, because of the embargo against Cuba, the defendants were legally prohibited from selling in the U.S. a rum produced in Cuba.<sup>79</sup>

This case may appear straightforward under TRIPs. "Havana Club" for rum would likely be considered a geographical indication in that Cuba is a place well known and regarded for its rum production.<sup>80</sup> Further, the plaintiffs would likely be considered "interested parties," being the producer of the goods in the place indicated by the geographical indication.<sup>81</sup> Under article 22 of TRIPs, use of "Havana Club" on rum would tend to suggest that the rum came from Havana and would likely mislead consumers.<sup>82</sup> Moreover, because a spirit is concerned, article 23 is applicable. Under article 23, regardless of whether the mark "Havana Club" would mislead consumers, defendants' use would be actionable because defendants' rum was simply not from Cuba.<sup>83</sup> Additionally, defendants do not qualify for any exception, as they did not begin to use the mark until 1995.<sup>84</sup> Furthermore, the defendants' use of the mark was not in good faith as they knew of the plaintiffs' production of rum under the "Havana Club" label and the significance of that label in the rum market.<sup>85</sup>

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76. *Id.* at 119-21.

77. *Id.* at 121; see 31 C.F.R. §§ 515.101-515.901 (2000) (discussing U.S. control regulations of Cuban assets and the prohibitions on U.S. and Cuban trade).

78. *Havana Club Holding*, 203 F.3d at 119-21.

79. See 31 C.F.R. §§ 515.101-515.901 (2000).

80. See generally Tom Gibbs & Charlotte Denny, *WTO Referees Rum Punch-up: News Analysis Cuban Refinery Takes on Bacardi in Latest Bout of Transatlantic Trade War*, *Guardian* (July 18, 2000) (available in 2000 WL 24263373) (stating that Havana Club rum was produced and made famous in the Cuban town of Santa Cruz del Norte, in the decades before Fidel Castro's revolution).

81. *Havana Club Holding, S.A.*, 203 F.3d at 119-21. In fact, plaintiffs exported rum using the "Havana Club" trademark under an exclusive license. *Id.* at 121. Furthermore, the plaintiffs and defendants are fierce competitors, with the defendants being the world's largest rum producer. See e.g. *White Spirit, Dark Dealings as Rum Trade War Flares*, *Sunday Express* (June 4, 2000) (available in 2000 WL 9219582).

82. *Agreement, supra* n. 1, 33 I.L.M. at 1205.

83. *Havana Club Holding, S.A.*, 203 F.3d at 122; *Agreement, supra* n. 1, 33 I.L.M. at 1205-06.

84. *Havana Club Holding, S.A.*, 203 F.3d at 121.

85. Gibbs & Denny, *supra* n. 80.

Thus, under TRIPs, defendants' use of the mark "Havana Club" should be prohibited.

The case was not tried under TRIPs, but under U.S. law.<sup>86</sup> The hypothetical analysis of the issues under TRIPs differs markedly from how the issues were actually analyzed by the Second Circuit Court of Appeals.<sup>87</sup> First, and most significantly, the court held that the plaintiffs lacked standing.<sup>88</sup> The plaintiffs were forced to sue under section 43(a) because this was a case in which the *use* of a false geographical indication was at issue, as opposed to its *registration*.<sup>89</sup> However, the plaintiffs were not commercially damaged in the United States by the defendants' actions, because the embargo legally prohibited the plaintiffs from selling their rum in the United States.<sup>90</sup> That is, the defendants' wrongful conduct could not possibly cause the plaintiffs to lose a single sale in the U.S.<sup>91</sup> The argument that they would be irreparably damaged when the embargo is lifted was rejected on the grounds that the damage was too speculative, since it is not certain when, if ever, the forty-year-old embargo will cease.<sup>92</sup>

The embargo may have posed additional problems for plaintiffs had they survived the standing requirement. Query whether plaintiffs would have been able to provide proof of the requisite confusion under the standard of section 43(a) of the Lanham Act?<sup>93</sup> Under section

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86. *Havana Club Holding, S.A.*, 203 F.3d at 122-35. TRIPs is not self-executing in the United States, and requires legislation to implement TRIPs provisions. See *Uruguay Round Agreements Act to Implement GATT into United States law, Public Law 103-465, 108 Stat. 4809, Title V; see also Agreement, supra* n. 1, 33 I.L.M. at 1198 ("Members shall be free to determine the appropriate method of implementing the provisions of this Agreement within their own legal system and practice."). Thus, there is no cause of action directly under TRIPs in U.S. courts. *Id.*

87. *Havana Club Holding, S.A.*, 203 F.3d at 116-35.

88. *Id.* at 119, 122.

89. 15 U.S.C. § 1125(a) (1994); *Havana Club Holding, S.A.*, 203 F.3d at 121 (emphasis added).

90. *Havana Club Holding, S.A.*, 203 F.3d at 122.

91. *Id.* The standing requirement under U.S. law underscores my point about the operative theory underlying the protection of geographical indications. It is difficult for a good to have acquired a distinctive mark in the minds of U.S. consumers where the good has yet to be sold in the United States. Moreover, if the theory underlying protection was to safeguard traditional industries, standing would certainly be conferred in cases where the complainant is the single producer of the product in question from that locale.

92. *Id.*

93. 15 U.S.C. § 1125(a).

43(a), the plaintiffs would have to prove that consumers would likely be confused into believing that the defendants' rum was from Cuba;<sup>94</sup> unlike section 2(e)(3), where the plaintiffs could certainly make a showing of a goods-place association between rum and Cuba.<sup>95</sup> Moreover, as rum from Cuba has been legally prevented from appearing on liquor store shelves for the past forty years, one can imagine a scenario in which the defendants could make a showing that U.S. consumers seeing a rum product for sale in the U.S. marked "Havana Club," would know that it could not possibly be from Cuba.<sup>96</sup>

## VII. CONCLUSION

The *Havana Club Holding, S.A. v. Galleon S.A.* case is merely the most recent illustration of the disconnect between the United States' rationale for protecting geographical indications, and the rationale that other countries have for this type of protection. The Scotch Whisky Association has filed numerous and unsuccessful cases in U.S. courts in attempts to prevent the use of words and symbols that it believed suggested Scotland as the place of origin for many Whiskeys.<sup>97</sup> Likewise, the French organization dedicated to the protection of French geographical indications, L'Institut National des Appellations d'Origine (INAO), has also filed suit in a U.S. court attempting to prevent the use of a false French geographical indication.<sup>98</sup> The Cuban case presents, or at least should have presented, in the clearest manner the different approaches and rationales for protecting geographical

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94. *Id.*

95. 15 U.S.C. §§ 1052(e)(3), (f), 1125(a).

96. Bacardi made precisely this argument in another, unrelated case. See *In re Bacardi & Co. Ltd.*, 48 U.S.P.Q.2d 1031 (T.T.A.B. 1997). See *Havana Club Holding, S.A.*, 203 F.3d at 120 (discussing the Cuban embargo). In fact, the evidence in the case went against such a showing. In a consumer survey admitted by plaintiffs testing rum consumers' knowledge of the embargo, thirty-three percent of consumers surveyed thought it was legal to sell rum from Cuba in the U.S., and nine percent did not know whether it was legal or illegal. *Id.* at 131.

97. *Scotch Whisky Assoc. v. Majestic Distilling Co.*, 958 F.2d 594 (4th Cir. 1992); *Scotch Whisky Assoc. v. U.S. Distilled Prods. Co.*, 952 F.2d 1317 (Fed. Cir. 1991); *Scotch Whisky Assoc. v. Consol. Distilled Prods., Inc.*, 1981 U.S. Dist. LEXIS 14891 (N.D. Ill. May 7, 1981).

98. *Institut Nat. Des Appellations D'Origine v. Vintners Intl. Co.*, 958 F.2d 1574, 1575 (Fed. Cir. 1992) (opposing Vintners International Company's registration of the trademark "CHABLIS WITH A TWIST" for "a citrus flavored wine").



indications.<sup>99</sup> The anomaly of the forty-year Cuban embargo has provided a case in which the place indicated—Havana—is unarguably known for the production of the goods in question—rum. However, at the same time, there may be a problem in proving consumer confusion. In addition, there is the irony of a Cuban company coming to a U.S. court arguing on behalf of the U.S. consumer.

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99. *Havana Club Holding, S.A.*, 203 F.3d at 116-35.