

# THE ADVANTAGES OF DESIGNATIONS OF ORIGIN IN COMPARISON WITH TRADEMARKS FOR AGRI-FOOD PRODUCTS

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## Abstract:

Adapting to the demands of EU market involves changing the tendencies and focusing on origin-related product quality, unique due to natural and objective growth and production factors. The coexistence of two distinctive marks of intellectual property for agri-food products - trademarks and geographical indications - offers a choice to both producers and consumers. However, a fair assessment of quality offers more openness and credibility to products with designation of origin.

**Key words:** demands of EU market, agri-food products, geographical indications and designations of origin

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The relevance of the approached theme is underlined by the diversification of the quality and origin of products on the market. The relatively small number of products with designation of origin in the Republic of Moldova diminishes the importance of their protection in the EU and involves obligations on the protection of products with designation of origin from the EU. Also, the tradition of EU Member States on agri-food products is concerned with their origin and territory-related qualities. The diversity of Moldovan products can make an impression by the specific of the delimited territory, the identifying traditions and their own taste qualities. Thus, Moldovan products, in small quantities, can impress the EU market and can earn a special place in it by specific qualities and different natural and geographic factors from those of the EU Member States.

Adapting to the demands of EU market involves changing the tendencies and focusing on origin-related product quality, unique due to natural and objective growth and production factors.

## MATERIAL AND METHOD

The coexistence of two distinctive marks of intellectual property for agri-food products - trademarks and geographical indications - offers a choice to both producers and consumers. However, a fair assessment of quality offers more openness and credibility to products with designation of origin.

## RESULTS AND CONSIDERATIONS

### *I. The advantages of trademark for agri-food products*

Currently, trademark is increasingly more used and its tendencies change.

The trademark is the visible symbol that allows distinguishing a product or service of a manufacturer from the similar product or service of another manufacturer. Purchasing the right to hold a trademark has a triple condition: the symbol to be susceptible of protection, to be available and, if these two requirements are fulfilled, to be registered as a trademark (Victor Volcinschi, Dorian Chiroșca, *Intellectual Property Law*, Museum Publishing House, Lecture Notes, Chișinău, 2001, p.232 , p.156). In this context, French doctrine supports the idea that choosing the trademark-symbol is a primary and essential task as for its promotion a lot is spent on advertising that conveys the image of the company. The choice of a trademark is made for economic considerations, but it also must be valid from a legal point of view, thus certain conditions are imposed in order to acquire the trademark right. Trademark is a distinctive symbol designed to distinguish the goods and services of a trader. This distinction can be objective when it corresponds to the product characteristics, or subjective, when the trademark, without suggesting the product characteristics, aims to become attractive to consumers. Sometimes this power of attraction is so strong that the trademark enters the consumers'

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vocabulary, turning into a generic name, for example, *xerox* for photocopiers and *adidas* for sports shoes (Viorel Roş, *Intellectual Property Law*, Student's Handbook, Global Lex Publishing House, Bucharest, 2001, p.774, p.563).

Trademark is a distinctive symbol of products and services whose value can reach the peak of success. Trademark is the symbol that distinguishes the goods and services of a producer by offering the guarantee of a determined and constant quality, forming, under the law, the subject of an exclusive right (Ioan Macovei, *Intellectual Property Law*, Student's Handbook, Publishing House of „Alexandru Ioan Cuza” University, 2008, p. 88, p.14).

According to Romanian authors, the functions of trademark are:

- *The function of product differentiation.*

This way, trademark allows the differentiation of identical or similar products and services. The product differentiation function has two distinct aspects. Through trademark one ensures the individualization of the products on the market and the producer is protected against acts of unfair competition. Due to the value it acquires in the market, the trademark is no longer dependent on the origin of the product. As an indicator of the product, trademark allows building customer loyalty.

- *The function of competition* of the trademark is based on the system of attracting customers and is achieved through differentiation and advertising. Differentiated trademark advertising increases sales. Advertising abuse causes objective differentiation to become subjective distinction.

- *The function of market organization.* By matching supply and demand, trademark is a means of market organization. The organizing function of the trademark uses its influence on the distribution forms. A trademark ensures sales and reduces distribution costs. Using their own trademarks for products and services reflects the tendency of sellers to secure their exclusivity in the organization process of products distribution.

- *The function of monopoly.* Trademarks differentiation and distribution exclusivity result in the transformation of the competition into a tool of monopoly. Due to this phenomenon, the function of guarantee of product quality is replaced with a protection function of the buyer. Trademark diversification within the same company is an artificial phenomenon which hinders the progress of production. Through an increased number of variants, the large series effectiveness is limited and differentiation becomes exclusively subjective (Ioan Macovei, *op.cit.*, pp. 22-23).

Trademark serves owners as a means of products advertising and sales. Producers must maintain and improve product quality to meet consumers' needs. The cause of numerous failures lies in the futile attempt to provide good advertising to poor products, as anonymity highlights this weakness.

The trademark can be very far from the product, which means, according to Mathely, that the legality of the trademark has nothing to do with the credibility of the product.

In the wine sector one can make a difference between commercial trademark and wine trademark.

Trademark does not include geographical indications, but it identifies a distributor and serves to differentiate some products from others.

Commercial trademark cannot concentrate common rules and the area of origin. Trademark should not rename or make reference to the geographical indication, for example *Romanée-Conti*. Trademark cannot usurp a designation of origin or a geographical indication to which it is not entitled, for example, *Ritzlinguer* trademark for a wine not entitled to the Riesling protected designation of origin or *Cru du Fort Medoc* for a wine that is not a Medoc. Deception in the origin of the product is accompanied by deception on the substantial qualities or the reputation of the product (Frédéric Pollaud-Dulian, *Droit de la propriété industrielle*, Ed. Montchrestien, E.J.A., Paris, 1999, p.935, p.894).

Wine trademark includes an indication of origin and identifies the manufacturer. Wine trademark is based on a geographical indication.

Wine trademark is linked to the territory of origin and cannot include elements that would create confusion regarding geographical origin.

## ***II. The advantages of geographical indications and designations of origin for agri-food products***

A designation of origin indicates the absence of deception regarding the product's place of origin. The idea of the product's real quality is embedded in the idea of origin, but it is not identical with this one.

The recognized quality of the good is attached to the raw material, obtained in a certain region or state, or even to the manufacturing processes, whose tradition comes from that geographic area.

Designations of origin are protected at international, European and national level.

At international level, the protection of geographical indications is provided by the Marrakesh Agreement Establishing the World Trade Organization, Annex 1C - TRIPS of 1994

(The TRIPS Agreement). The Agreement institutes that Contracting States shall provide the legal means to enable interested parties to prevent: the use of any means in the designation or presentation of a good that indicates or suggests that the good in question originates in a geographical area other than the true place of origin in a manner which misleads the public as to the geographical origin of the good; any use which constitutes an act of unfair competition within the meaning of Article 10bis of the Paris Convention (1967). The TRIPS Agreement also provides additional protection for geographical indications for wines.

Through the Madrid Agreement, the Contracting States undertook not to admit for sale or advertisement goods bearing a false or deceptive indication of source. States were to apply sanctions, such as seizure on importation or prohibition of importation to this kind of goods. Provisions of Article 1, paragraph 2 of the Paris Convention for the Protection of Industrial Property of 1883, refer to both indications of source and appellations of origin. The regulations of the Paris Convention on indications of source also apply to appellations of origin. The Agreement for the Repression of False or Deceptive Indications of Source on Goods was signed within the meeting in Paris of the Union for the Protection of Industrial Property, on the 14<sup>th</sup> of April 1891, in Madrid. Only a number of countries of the Union for the Protection of Industrial Property acceded to this Agreement.

At the Conference in Lisbon, on the 31<sup>st</sup> of October 1958, the Agreement for the Protection of Appellations of Origin and their International Registration was signed. The countries to which the Lisbon Agreement applied also constituted a Special Union within the framework of the Union for the Protection of Industrial Property. The Contracting States undertook to protect on their territories, in accordance with the terms of this Agreement, the appellations of origin of products of the other countries of the Special Union. The protection applied to products recognized and protected as such in the country of origin and registered at the World Intellectual Property Organization. The country of origin is the country whose name, or the country in which is situated the region or locality whose name, constitutes the appellation of origin which has given the product its reputation (Ioan Macovei, *op. cit.*, p.41).

The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) defines geographical indication as an indication which identifies a good as originating in the territory of a Member State, 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.

The European Union grants special protection to designations of origin and geographical indications. Under Council Regulation (EC) No 491/2009 of 25 May 2009 amending Regulation (EC) No 1234/2007 establishing a common organization of agricultural markets, a designation of origin is the name of a region, a specific place, whose quality and characteristics are essentially or exclusively due to a particular geographical environment with its inherent natural and human factors.

According to the same Regulation, a geographical indication means an indication referring to a region, a specific place and which possesses a specific quality, reputation or other characteristics attributable to that geographical origin.

Product quality is related to its origin, but also with more subjective elements, such as reputation.

Domestic legal doctrine has been less concerned with the protection of designations of origin. In the Republic of Moldova the protection of geographical indications is provided by Law no. 66-XVI/2008 on the protection of geographical indications, designations of origin and traditional specialties guaranteed.

In Romania geographical indications were regulated by Law no. 84/1998 on trademarks and geographical indications, republished in 2014.

According to Romanian doctrine, geographical indications of goods may be used only by people who produce or market the products for which these indications have been recorded. Geographical indication consists always of a geographical name. To the geographical name is usually added the product name, for example *Panciu Wine*, *Sibiu Salami*. Geographical indications are mainly used for foodstuffs. Their main function is the guarantee of quality (Teodor Bodoaşcă, *Intellectual Property Law*, 2<sup>nd</sup> Edition, C.H. Beck Publishing House, Bucharest, 2007, p.411).

The French legal doctrine states that designations of origin refer especially to agricultural products and foodstuffs, but are not limited to them. France encourages the development of high quality products which are to be marketed in Europe and throughout the world. Improvement of foods quality requires consumers to distinguish them. Moreover, consumers are demanding more information about what they eat, the origin of products and their methods of preparation. Article L115-1 of the Consumer Code and Article L641-1 of the French Rural Code state

that the designation of origin is the name of a country, region or locality which serves to designate a product originating in that country, region or a locality and whose qualities or characteristics are due to the geographical environment, including the human factors. Article 721-1 of the French Intellectual Property Code provides that designation of origin has three characteristics: it consists of a geographical name, it is collective and original. The designation of origin implies a geographical area of a country, a region or a locality designating the place of harvest or manufacture of the product. It is inalienable and cannot be characterized as a generic product. It has a collective character because it can be exploited by all manufacturers in that area, which meet the requirements of production. Finally, the designation of origin is original in that it is unique because of the territory where it is grown and produced. Thus, there is only one *Romanée-Conti* and one *Château d'Yquem* worldwide (Jean-Christophe Galloux, *Droit de la propriété industrielle*, Ed. Dalloz, Paris, 2000, p. 475).

The right to the designation of origin is accessory to the soil and it is transmitted with the soil's property or the right to use it. Not using the designation of origin does not mean the right over it is lost, its use is not generally mandatory and its use outside the marked zone is forbidden (Frédéric Pollaud-Dulian, *op.cit.*, p., 729).

In France, the doctrine distinguishes between designation of origin and geographical indication of origin. The designation of origin represents the name of a place whose products enjoy good reputation. For those who use it, it is a genuine hallmark and for the consumer, a guarantee of quality. The indication of origin is a mere indication of where a product was obtained (Viorel Roş, *op.cit.*, p.684).

The designations of origin are controlled by an authorized body.

Geographical indications are applicable to all producers in a certain region on certain goods obtained there. However, the trademark is intended to distinguish the goods of a trader from those of his competitors.

Considering the holder of the intellectual property right, geographical indications are always a collective right, managed by an association of producers in that area, while trademark is an individual right that belongs to a trader, who is the only one entitled to use it.

The purpose of geographical indications is to present the organic and causal link between the product's characteristics and its regional origin. Incidentally, for trademarks the area where that product is obtained is irrelevant and there is no

interdiction on the extension or transfer of production to other regions.

Regarding the transfer of the right, geographical indications may not be the subject of an act of property transfer, as it is mandatory for a manufacturer to prove his connection with that region in order to use it, while trademarks can freely be the subject of a property transfer from one producer to another (Horia Ciutin, *Geographical Indications and Trademarks: in Search of a Commercial-Spatial Identity*, in The Romanian Journal of Intellectual Property Law, No. 3/2012, pp.215-235, Universul Juridic Publishing House, Bucharest, 2012, pp.221-212).

There is an issue concerned with whether a name constituting a geographical indication may be registered as a trademark for totally different products than those of the beneficiaries of the geographical indication.

In the case of *Bureau national interprofessionnel du Cognac*, the Court of Justice of the European Union (CJEU) has pointed out that, given that the two trademarks - COGNAC L&P HIENOA KONJAKKIA Lignell&Piiapanen Product of France and KAHVI-KONJAKKI Cafe Cognac Liqueur - contain the word "Cognac", the consumers will, even partially, be misled into believing there is a connection with the products whose indication is protected, regardless of the goods in question strictly corresponding or being only comparable to those protected (Judgment of the Court in joined cases *Bureau national interprofessionnel du Cognac*, C-4/10 and C-27/10 of 14 July 2011).

In the case of *Bavaria NV*, Bayerischer Braubund requested for the Bavaria and Bavaria Italia companies to be prohibited the use of trademarks on the grounds that they overlap with the geographical indication Bayerischer Braubund. The European Court of Justice (ECJ) ruled that it saw no impediment to the parallel functioning of the two forms of intellectual property, given the circumstances of the case had revealed a previousness of the *Bavaria* trademark and the rebuttable presumption of good faith had not been overturned (Judgment of the Court in *Bavaria NV and Bavaria Italia Srl v. Bayerischer Brauerbund eV.*, C-343/07 of 2 July 2009).

The French case law condemned the use of designations of origin trademarks even for totally different products. Courts have considered the desire to take advantage of the reputation of the prestigious appellation an abuse of law. The Tribunal of the High Court in Paris forbade SEITA's (Societe Nationale d'Exploitation Industrielle des Tabacs et Allumettes) use of the term "Champagne" as trademark for matches and

cigarettes. It also forbade and condemned the submission of the *Château Yquem* trademark for cigarettes.

In this context, Art. L115-5 para. 4 of the Consumer Code of France forbids the use of a designation of origin, even for different products, while this use is likely to overturn or weaken the reputation of the appellation of origin. Article 711-4 of the French Intellectual Property Code provides that a symbol cannot be accepted as trademark if it prejudices a designation of origin.

However, there are exceptions to the forbiddance of using trademarks with designations of origin. A famous case is *Château Margaux*, which coexists with the protected designation of origin of numerous producers of Margaux. Moreover, a manufacturer using the designation of origin for its production, may register a complex trademark incorporating the designation of origin to label his products, provided that the products will meet the conditions of use of the designation of origin and the complex trademark will have distinctive and arbitrary elements and a distinctive symbol than that of the designation of origin, which does not affect the collective right of producers, for example *Durand Champagne, Pierre et Paul Champagne* (Violeta Melnic, *Justification and Advantages of Designations of Origin in Relation to Trademarks for Agri-food Products*, The Journal of Intellectual Property INTELLECTUS 4/2013, ISSN 1810-7079, Chişinău, 2013, pp. 43-49).

According to Article 8 para. (5) of the Agreement between the Republic of Moldova and the European Union on the protection of geographical indications of agricultural products and foodstuffs, the Contracting Parties shall protect geographical indications also where a prior trademark exists, which has been applied for, registered or established by use, in the territory of one of the Contracting Parties before the date on which the application for protection of the geographical indication is submitted by the other Contracting Party, if that possibility is provided for by the legislation of that country. Such trademark may continue to be used and renewed notwithstanding the protection of the geographical indication, provided that no grounds for the trademark's invalidity or revocation exist in the legislation on trademarks of the Contracting Parties.

It is important to choose a distinctive symbol of intellectual property, especially for the marketing of a product.

The advantages of geographical indications in comparison to trademarks for food products are the following:

- ✓ Specific protection of geographical indications for food products, especially wine, in international treaties;

- ✓ Distinctness of the product through objectives, territorial, unique qualities, based on product quality and originality due to natural and human factors, linked to local tradition;

- ✓ Access for more applicants in that geographical area to the manufacture of products which will increase competitiveness and product quality;

- ✓ Higher legal protection of geographical indications;

- ✓ Manufacturers' protection against unauthorized use of a reference to that geographical indication;

- ✓ Promoting local traditions and values in the production and manufacture of products with protected geographical indications;

- ✓ Moldova's territorial recognition through local products with its localities as designations of origin;

- ✓ The possibility to maintain historical trademarks with designations of origin until the registration of the geographical indications.

Starting from the legislative framework in this field, which has propelled the development of social relations on the promotion of geographical indications, it is necessary to intensify their promotion given their penetration into new markets for food products and foodstuffs, particularly in the European market, where products impressing through their territory-linked originality are demanded.

## CONCLUSIONS

The current legal framework at international, European and national level allows the marketing of quality products under trademarks or designations of origin.

Given the development of market relations, the adaptability of agricultural producers is required, based both on objective factors (relatively low production quantities, diversity of products, regulatory framework, international and European requirements), as well as subjective factors (requirements of domestic consumers, demands of European consumers etc.). In this regard, one must strike a balance in the field of agricultural products by the registration/re-registration of some products as trademarks and maintaining their protection as trademarks, and registration of other products as designations of origin, or changing the protection status of the symbol from trademark to designation of origin.

Keeping a trademark product with designation of origin is motivated by its success, the recognition and territorial expansion of the product is not limited to the appellation of that geographical area (e.g. *Cricova*), but the admission of such a trademark is forbidden according to international treaties, domestic laws and the Agreement between the Republic of Moldova and the European Union on geographical indications of agricultural products and foodstuffs. Promoting food products with designation of origin will favor the appreciation of products at a European price, justified by their accordingly certified originality.

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