14 March 2023

Project Team
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Dear Sir/Madam

Attached are the comments that the New Zealand Food & Grocery Council wishes to present on the *EU-NZ Free Trade Agreement: Reform of Geographical Indications Law in New Zealand Discussion Paper.*

Yours sincerely

Raewyn Bleakley
Chief Executive

EU-NZ Free Trade Agreement: Reform of Geographical Indications Law in New Zealand Discussion Paper

Submission by the New Zealand Food & Grocery Council

14 March 2023

NEW ZEALAND FOOD & GROCERY COUNCIL

1. The New Zealand Food & Grocery Council (**NZFGC**) welcomes the opportunity to comment on the *EU-NZ Free Trade Agreement: Reform of Geographical Indications Law in New Zealand Discussion Paper* (**the Discussion Paper**).

2. NZFGC represents the major manufacturers and suppliers of food, beverage and grocery products in New Zealand. This sector generates over $40 billion in the New Zealand domestic retail food, beverage and grocery products market, and over $34 billion in export revenue from exports to 195 countries – representing 65% of total good and services exports. Food and beverage manufacturing is the largest manufacturing sector in New Zealand, representing 45% of total manufacturing income. Our members directly or indirectly employ more than 493,000 people – one in five of the workforce.

COMMENTS

3. NZFGC appreciates that the *Geographical Indications (Wines and Spirits) Registration Act 2006* (**the GIs Act**) does not reflect the scope necessary for New Zealand to support its industries in the global intellectual property market nor present a level playing field for our national and international aspirations. NZFGC strongly supports amendment of the GIs Act to include products other than wine and spirits.

4. NZFGC has 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.

5. In any event, 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. NZFGC believes this disparity places additional emphasis on the need to implement only the specific obligations of the FTA.

6. NZFGC agrees that Option iii presented in the Discussion Paper 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 and it is important not to extend these beyond the obligations of the FTA.

7. In relation to an infringement of a registered GI, NZFGC considers it would be sensible to take an approach that is consistent with the *Trade Marks Act 2002* (**the Trade Marks Act**).

8. In terms of civil action and the option (Option iii) to limit persons who may initiate civil action for the enforcement of GIs to “interested persons”, we understood that the persons who may initiate civil action were already determined by Articles 18.34 and 18.47, so Options i and ii are not viable. NZFGC considers that interested persons should be limited to the categories listed in Article 18.47, noting that legitimate GI users should fall within 18.47(b).

9. Under the FTA, GIs do not go through an equivalent registration process to trade marks. As well, under the opposition procedure, the grounds for opposition are narrow, the decision-making process lacks transparency and there is no provision for an appeal. Under such a 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.

10. In terms of 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, NZFGC is strongly of the view that the full range of remedies available to trade marks, and in particular financial remedies such as damages and account of profits, is not appropriate for GIs.

11. NZFGC 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 GIs Act. If New Zealand stakeholders had been given the opportunity, they would, in all likelihood, have expressed deep concerns about the application of these remedies to GIs.

12. 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.

13. In relation 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 NZFGC 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.

14. In terms of remedies, infringement of a GI is not directly comparable to infringement of a trade mark. Trade mark infringement applies to the use of a distinctive sign as a trade mark. Registered trade marks can be easily identified by searching the register and there is a clear process for examination, opposition and cancellation of trade marks that 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.

15. In reference to damages and account of profits, we consider these are not appropriate remedies for GI infringement because they will always be punitive in the context of a system where the majority of infringements will be in good faith, and in which New Zealand traders have very limited opportunities to participate. Again by contrast, the trade mark registration system provides that 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.

16. NZFGC does not agree with the statement that an injunction would not be a sufficient deterrent against infringement of a GI. We also do not agree that punitive financial remedies such as damages and account of profits are needed as deterrents to GI infringement. The considerations around GI infringement are very different. We consider that the remedy of injunction is a sufficient deterrent and that damages and account of profits would be grossly disproportionate. NZFGC does not believe that any additional remedies should be adopted.

17. In terms of border protections, NZFGC does not support the use of border protection measures for GIs. If the trade mark mechanism is used, it would need to address the fundamental differences between trade marks and GIs.

18. In relation to limiting persons who may lodge a notice with Customs to those persons who have an interest in the GI concerned, NZFGC would draw attention to there being potentially multiple interested persons who could lodge a Customs Notice especially where Māori related GIs are concerned. Permitting one out of a number of legitimate users to assert rights that affect the ability of all legitimate users to enter the market is problematic.

In our view only entities that are representative of the collective of users of a particular GI should be permitted to file a Customs Notice. Even that brings with it difficulties of determination.

19. NZFGC does not agree with the provision of any investigative powers to the Commerce Commission to act on its own initiative, because we do not agree with the assumption in the Discussion Paper that New Zealand is obliged to provide ex officio administrative enforcement of GIs. In our view, it is very important to base any GI legislation on a clear and precise understanding of the enforcement provisions under the FTA. We are not aware of any mechanism in the EU for ex officio administrative enforcement of general GI protections for third countries. Consequently, if New Zealand was to introduce new ex officio administrative enforcement mechanisms, this would be unlikely to be reciprocated by FTA parties.

20. NZFGC considers that proposing administrative enforcement options significantly beyond those prescribed in the Fair Trading Act on the grounds of deterrence, is not appropriate. If the remedies in the Fair Trading Act are believed to be sufficient to protect New Zealand consumers, they should be more than sufficient to protect the interests of EU producers.

Section 4 Other issues

21. In relation to the use of an official logo, NZFGC thinks this should not be pursued, at this stage at least. There may be risks associated with such an arrangement that have not been identified or considered.

22. In relation to cost recovery, NZFGC believes a separate document on the matter is required. The Discussion Paper has not traversed the issues and options sufficiently to generate the consideration necessary on the topic. Suffice to say that NZFGC does 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 products.

23. Even if a number of New Zealand food GIs eventuate, or there are some new registrations of other overseas GIs, the fees from these would not be adequate 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 significant issues of inequity. NZFGC is of the view that in this environment, the most equitable solution would be for the cost of GI registration to be borne wholly by the Government.

24. NZFGC is concerned that the proposed new GI registration regime does not provide any process for opposition to proposals to amend the list of GIs, nor does it provide details on how an opposition procedure might work. We believe it would be totally inappropriate for a key part of the GI system to sit 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.

25. NZFGC considers the Discussion Paper should have included a proposal for compensation to existing rights holders. The application of the FTA will result in a number of producers, some of whom have made products for decades, to incur costs to rebrand those products and re-establish new versions of those products in the market. If compensation is not available, then the Government should consider other alternatives to support businesses through the transition period (eg assistance with relabelling and rebranding).

26. In relation to secondary uses of GIs, NZFGC believes consideration should be given to an amendment to the FTA to provide clarity concerning the use of GIs as an ingredient sourced from an approved 'Prior User'. This request is directed to MFAT so that an adjustment to relevant footnote texts might be made as a mitigation measure to reduce the significant loss and damage that will be suffered by manufacturers of multi-ingredient secondary or complex products in New Zealand which will warrant label changes that include use of GI terms as ingredients such as 'Parmesan' and 'Feta'.

27. The use of 'Parmesan' and 'Feta' being common names in widespread use as ingredients in New Zealand for decades was well communicated in earlier FTA discussions. It is in relation to these references that we believe any relevant footnotes should be modified to address the use of GIs as ingredients, including where ingredients are sourced from an approved 'Prior User'.

28. Manufacturers based in New Zealand of multiple or complex ingredient products (or secondary products) that use ingredients sourced from 'Prior Users', should have continued use protected so that the description of the ingredient as a GI on the packaging of multi-ingredient or secondary products can continue. The proposed modification to relevant footnote texts would be to include a reference at the end of the text and include continuing use of the GI in good faith as an ingredient within multi-ingredient or secondary products.

29. Without this amendment, New Zealand manufacturers of multi-ingredient or secondary products will face substantial loss/damage/expense from packaging changes to protect against EU GI holder enforcement actions against indirect use. Indirect use could be in ingredients lists or elsewhere on multi-ingredient product packaging where the ingredient continues to be sourced in the same manner as prior to the date of entry into force of the FTA or from a supplier of locally manufactured product or from a permitted "prior user.

30. NZFGC notes that no transition or phase out period has been included for indirect use of newly protected GI terms on secondary products to mitigate and reduce loss and damage to food manufacturers and suppliers in New Zealand. A sufficiently extensive period is needed to avoid penalising food manufacturers and suppliers in New Zealand. These manufacturers are already experiencing a severe impact and lengthy disruption from Cyclone Gabrielle. It is also the case that we only now emerging from the major supply chain disruptions and impacts from COVID-19 in New Zealand.

31. In light of the matters discussed above, and in the circumstances, a prohibition is also sought in order to prevent EU GI holders from enforcing newly protected GIs in New Zealand against secondary product use or indirect use for at least 5 – 7 years after entry into force of the FTA. Such an exemption is intended to minimise the impacts to the food industry in New Zealand. Such a prohibition would greatly assist in minimising impacts from label changes, packaging costs, litigation costs, write-offs of inventory, destruction costs, and product deletions at a time when food and beverage process are rising and packaging waste should be avoided.