Local to Global: Provenance Branding and Farmer Co-operation for High Value Export Markets

By William van Caenegem, Jen Cleary, Lucie Tréguier
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Foreword

Recent research funded by the Rural Industries Research and Development Corporation (RIRDC) highlighted the potential for farmers to improve farm gate returns through both provenance branding and collaboration with other farmers. Building on these findings, this report examines opportunities in export markets, and the legal and regulatory implications of alternative collaborative and provenance brand protection options.

This report places a particular focus upon collaboration around the production, marketing and promotion of high-value, consumer-oriented local food products. Its findings are applicable to producers of fruit, quality vegetables, processed meats and dairy products such as yoghurt and cheese, or beverages such as local whiskeys, beers and ciders.

When these farmers invest in special food and beverages that have a local character and back-story, they can move up the value chain and closer to consumers. This allows them to capture a higher percentage of the final price paid to retailers. To do this effectively, however, farmers must be well-organised with a secure legal footing that is adapted to their plans, their region and their product.

Collaborative groups of farmers must also have an effective branding strategy in place in order to prevent ‘free-riders’ taking advantage of the reputation developed around a specific value-added local product. Understanding the regulatory environment in international markets in which Australian farmers may participate is critical if the branding of Australia’s regionally produced food is to be effectively protected and its value realised.

Increasingly, more countries (including in Asia) are using the legal regime of Geographical Indication (GI) registration for provenance branding. Australia has this option in place for wine but not for other foods. It is important that Australian industry and government decision makers carefully evaluate the benefits of introducing a widely-based GI system, including its potential to encourage farmers to work together effectively around product quality and locality branding.

This report is an addition to RIRDC’s diverse range of over 2000 research publications and it forms part of our National Rural Issues R&D program. This program aims to inform and improve policy debate by government and industry on national and global issues relevant to agriculture and rural policy in Australia, by targeting current and emerging rural issues, and producing quality work that will inform policy in the long-term.

Most of RIRDC’s publications are available for viewing, free downloading or purchasing online at www.rirdc.gov.au. Purchases can also be made by phoning 1300 634 313.

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Finally, thanks go to all the interviewees, identified as numbered Respondents in the Report, who gave freely of their time and efforts to accommodate interviews and supply additional information and background for their own particular situations. Their constructive approach, often in the midst of demanding pursuits, enabled a Report rich in information and analysis to be produced in a relatively short time.
Abbreviations

ACCC Australian Competition and Consumer Commission
ACL Australian Consumer Law (Sch 2 of the Consumer and Competition Act 2010) (Cth)
AOC Appellation d’Origine Contrôlée
CETA Comprehensive Economic and Trade Agreement
DFAT Department of Foreign Affairs and Trade
FTA Free Trade Agreement
AQSIQ General Administration of Quality, Supervision, Inspection and Quarantine
GI Geographical Indication
INAO Institut national de l’origine et de la qualité
JPO Japan Patent Office
MAFF Ministry of Agriculture, Forestry and Fishery
MOA Ministry of Agriculture
PDO Protected Designation of Origin
RCTM Regional collective trade mark
SAIC State Administration for Industry and Commerce
TFEU Treaty on the Functioning of the European Union
TMA Trade Mark Act 1995 (Cth)
TTIP Transatlantic Trade Investment Partnership
TPP Trans-Pacific Partnership Agreement
TRIPS Agreement on Trade-Related Aspects of Intellectual Property Rights
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Executive Summary

What is the report about?

This report concerns how farmers can best secure maximum returns from investing in producing high quality local food products. It proposes that farmers could benefit from collaborating firstly, to produce high value consumer-oriented products, so they can pool resources and expertise and secondly, to protect the resulting returns to be gained from trading such high value goods in international markets. Their collaboration should be based on a sound legal footing, that is, on an appropriate and well-structured legal vehicle such as a co-operative, company or association. They should also develop and protect a common provenance brand. This is particularly important in overseas markets where consumers are willing to pay higher prices for products reliably identified as special local foods from the many Australian regions.

Australian farmers working co-operatively can secure their provenance brands in markets such as China and Japan either through collective or certification trade marks or through registered GIs. The latter option requires a domestic GI registration in Australia and this Report endorses the recommendation of the earlier Provenance Branding Report that the introduction of a registration system for all food and beverages rather than only wine should be considered. Whatever provenance branding strategy local producers adopt should be supported with an effective legal strategy in-country, which will require proactive registration of the brand, and full utilisation of both administrative and judicial procedures available. This is particularly important in China where counterfeiting and free-riding on brands remains widespread; a practice that undermines the value of Australian provenance brands in the absence of an adapted protection strategy, or one which is premised upon technological remedies only, as is currently largely the case.

Who is the report targeted at?

The Report is targeted at two main groups: first, policymakers interested in legal instruments that will enhance provenance brand protection in Australia and abroad; and secondly, farmers who are interested in collaborating around a high value local consumer-oriented food product and developing a provenance branding strategy. In particular the Report targets the protection available in expanding international markets in Asia, taking China and Japan as lead examples. In terms of policymakers the Report is targeted at rural co-operation and development specialists; intellectual property law specialists; international trade negotiators; state and regional branding administrators; and competition law specialists.

What are the relevant industries and where are they located in Australia?

The relevant industries are farming groups in all agricultural areas of Australia, including those of; fruit and vegetables; sheep meat and beef; tropical and exotic produce; dairy and processed meats; local beverages including beer, cider and the like; herbs and spices; nuts and pulses; olives and derivatives; and other food products, including Australian native foods.

Relevant industries are present in every state and territory of Australia.
Background

Policymakers and farmers will benefit from both the policy and strategic elements of this Report. In terms of policy the Report is relevant to those interested in encouraging investment in local value-adding in production and processing of food products in situ. The Report suggests how investment can be encouraged, properly supported, and protected against misuse of goodwill by effective provenance brand protection. In terms of strategy the Report is relevant to co-operating farmers who want to remain in or enter foreign export markets where their high value highly reputed products can be sold at significant margins. For these farmers effective protection against free-riding is essential and this Report proposes that domestic GI registration and reciprocal protection in-country is critical for them.

Aims/objectives

This Report aims to determine the extent to which Australian collaborating farmers can rely on the domestic legal systems in China and Japan, and by analogy in other Asian markets to protect their provenance brands. The Report aims to determine whether the introduction of a domestic GI register for all foodstuffs would enhance the potential for farmers to restrain free-riding on their valuable provenance brands in those jurisdictions.

Methods used

This Report combines desktop research into the key legal and social issues, with semi-structured interviews conducted in-country in China and Japan, and in Australia. The hypotheses derived from the desktop research were tested and enriched by the learning from the in-country interviews. Interviews were conducted with legal practitioners; regulators; policymakers; producers and academics locally and abroad to obtain a well modulated and rounded view of issues related to regional provenance branding, in particular of foreign brands in the jurisdictions examined.

Results/key findings

The key findings of this Report are twofold: first, that Australia should consider expanding the GI registration scheme from wine only (as it is now) to also allow other foods and beverages to be registered. This will enable Australian provenance brand users to obtain more effective protection of their high value brands against counterfeiting in many Asian markets, as highlighted herein using Japan and China as case study examples. The second key finding is that farmers who collaborate around the production of high value regional and local food products, should secure the value of their investment by effective provenance branding strategies. In export markets it is crucial that they develop a proactive brand registration approach, and also follow up with long-term enforcement strategies by practical means, but crucially also by taking advantage of the administrative and judicial processes each jurisdiction offers. This is particularly the case in China where provenance branding values are at risk of being seriously attenuated by the counterfeiting and imitation practices of local free-riders.

Implications for relevant stakeholders

Policymakers should reconsider the traditional international trade negotiation approach that requires opposition to GI registration schemes. They should positively reconsider the question of introduction of a GI register for all food products in Australia, because of its potential benefits in foreign markets.

Farmer groups will derive great benefit as well from reconsidering their investment and product development strategies. They should adequately assess local and provenance branding opportunities and adopt the legal vehicles and brand protection methodologies that are available. They should use domestic registration of collaboratively registered provenance marks as tools for developing and protecting markets in China, Japan and other Asian countries.
Future Options

For policymakers: consider the introduction of a GI registration system in Australia for a greater range of food products. This Report reinforces the finding to that effect in van Caenegem et al. (2015a), by concluding that Australian GI registration will provide significant advantages to exporters of high value food products.

For farmer groups: farmer groups interested in collaborating to produce local high quality food products should develop a provenance branding strategy. They should adopt an appropriate collaborative legal vehicle to underpin their investment in high quality products and support their provenance branding strategy in Australia and in significant export markets.
1. Introduction

Australian agriculture has undergone unprecedented change over the past 50 years. The implementation of efficiencies through adoption of technological and product innovations, integration of supply chains and commoditisation has seen exponential growth in agricultural exports, to the point where Australia is among the top ten agricultural product-exporting countries in the world (WTO 2014), and where around two thirds of our agricultural products are exported (Commonwealth of Australia 2016).

A strong emphasis on quality standards regulated through codes of practice and intensive safety and quality compliance regimes has seen Australia develop a reputation in international markets as a producer of high quality, safe and trusted food products. However, currently the potential value of such products for Australian producers is not fully realised in export markets and we must work to change this. As the Agricultural White Paper states:

As a net agricultural and food exporting country, we can, and must, capture a greater share of the growing demand in our region. We cannot afford to be complacent. We must complement our existing trade and produce the premium agricultural products that increasingly affluent consumers in overseas markets want. We must supply these products regularly and reliably. We need to target high end food segments by producing differentiated products built around a reputation for safety, integrity and quality. The future profitability and competitiveness of our farmers depends on this. (Commonwealth of Australia 2016, p. 119-20).

There is therefore an urgent need to focus on two important matters: stable underpinnings for the expenditure, investment and organisation required to support adding value and differentiated products produced through local processing and higher quality standards; and projecting and defending the investment in additional quality through effective brand protection.

The focus of this Report is on the weakness of consumer-oriented marketing strategies for Australian food exports, which tend to be driven by an emphasis on producing commodities and unfinished products such as dairy ingredients. There is no consumer recognition in Japan, for example, that high value finished local dairy goods contain extensive Australian ‘ingredients’. Further, in those instances where high value goods are being produced and sold in foreign markets and brand recognition develops, value is being lost because of free-riding in the form of ‘passing off’ and other deceptive branding practices. In China, for instance, these include reusing branded boxes to substitute inferior (non-Australian) products and extremely sophisticated packaging and brand imitation techniques – for example, for high value seafood, such as ‘Tasmanian Abalone’, ‘Sydney Rock Oysters’ or ‘Southern Australian Rock Lobster’.

In the sphere of high value food products aimed directly at consumers, promotion and advertising commonly includes identifying and highlighting the regional origin of a product and all that entails. This is an obvious and sensible strategy that can be combined with ordinary branding which signals the corporate values along with the quality and safety claims of particular producers. The regional origin or ‘provenance’ values are communicated to consumers by way of signs that include geographical identifiers (place names), in particular registered trade marks and registered geographical indications of origin (GIs).

However, this kind of provenance branding is currently problematic in various ways. A sign that consists only of the actual place of origin, or the place name plus a product category cannot be registered as a standard trade mark because it is simply descriptive. The law requires standard trade marks to be distinctive – able to be used by consumers to distinguish one commercial source of goods from another. This requirement means that a single trader in an area is not able to monopolise its geographical name by obtaining private property rights over it by way of a trade mark registration – other producers should not be disturbed in their ability to indicate where they are located.
In this context, collaboration amongst producers in a geographical area for the purpose of protecting their common interest in a local provenance brand is a strategy worthy of consideration. Effective collaboration can mitigate the exclusionary effects of private trade mark acquisition by way of the registration of either a collective trade mark or a GI. In Australia, the obvious difficulty with the latter option is that only wine GIs can currently be registered and not GIs for any other food products. The report by van Caenegem et al. (2015a) on the potential for GIs as tools for Australian regional development recommended that the Australian legislator should consider extending the option to food products other than wine. That report concluded that in some industries and some regional circumstances, such an option would benefit producers of high value goods.

Both collective trade marks and GIs must be underpinned by some solid legal structure that binds and organises the producers or growers involved. Successful collective action requires properly adapted legal vehicles as a stable foundation for the collaboration required for long-term and effective provenance branding. There are multiple options in this regard for agricultural businesses that intend to collaborate to capture the additional value of their local product through provenance branding. For example, a collaboration model where one business processes and packages inputs from a group of contractually bound growers might be best served by the processor applying for a standard trade mark including a place name. For a co-operative it may be more apt to register a collective trade mark. For independent producers who are not necessarily contractually bound collectively or operating as a formal co-operative, producing for instance ‘Mareeba’ mangoes, or ‘Tasmanian’ cherries, the (as yet hypothetical) option of registering a GI may be optimal.

In the research undertaken for this Report, we focus in particular on appropriate legal vehicles and appropriate provenance branding options for export trade. While the research is specifically directed to export markets, the same issues of effective collaborative action and provenance branding also arise in domestic trade in value-added local food products. However, the export trade tends to require higher levels of investment in the production, shipping and provenance brand protection of value-added products, and also absolute certainty concerning the ability to fulfil long-term supply contracts consistently with regard to quantity and quality. These factors mean that more intensive collaboration with stable legal underpinning is even more important for exporters than for those engaged solely in domestic markets. This is particularly so, because despite the consolidation of agriculture in Australia where there is increasingly concentrated production in large farms, the majority of Australian farms are (comparatively) small, with 55% having an estimated value of agricultural operations of less than $100 000 p.a. (ABS 2010-11 cat no. 7120.0). For these producers, there is insufficient individual capacity to carry the burden of longer-term investment in brand protection and maintaining consistent supply in foreign markets.

Thus this report is centred upon two questions:

- What legal vehicle should a group of farmers adopt to structure investment in a value-added local product for the export trade?

- What legal provenance brand protection strategy would deliver most value in export markets for such a group?

Our focus is on Asian markets, where it is important to note that GI systems have recently been introduced that can accommodate foreign GIs, and where our agricultural export trade is already significant and highly likely to increase in value. A key policy issue underlying this Report is therefore whether an Australian GI registration scheme for all food products (beyond wine) would afford an effective provenance brand protection option for value-added consumer-oriented food products in our export markets. China and Japan, the focus of this Report, provide contrasting examples of wider significance in relation to value-added and consumer-oriented food products. One (Japan) an important established market with constrained but significant growth potential and a mature legal system; and the other (China) a developing market with very significant growth potential and a rapidly maturing legal system.
The report is structured in the following manner:

- We first present and assess the legal options for underpinning collaborative high value food production and provenance brand protection.

- Secondly, we assess the legal options for provenance brand protection available domestically and in China and Japan, and analyse these against the background of supra-national trade regulations and agreements.

- Thirdly, we consider the effectiveness of both technology-based and legal solutions to combat free-riding in these markets taking into account knowledge derived from in-country experts.

- We conclude with a synthesis of our findings and a set of options for consideration regarding both policy and practice with regard to collective action for the protection of provenance brands in foreign jurisdictions.
2. Methodology

2.1 Research Design and Approach

We first identified and considered the range of factors that would need to be taken into account to investigate the key questions that lie at the heart of this research, namely:

- What form of structural vehicle should collaborating farmers producing provenance branded food adopt to underpin their investment in the export trade?
- What legal provenance branding strategy would deliver most value in export markets?

First, Australian food producers export to a number of foreign markets. Undertaking a study that could consider each of these was beyond the time and resource limitations of the project. We thus focussed upon two jurisdictions – China and Japan. These two markets have both similarities and differences, which enabled us to systematically compare them from the perspective of the questions we sought to confront. Both are representative of markets where food provenance has always been important and is increasingly so to consumers; have Free Trade Agreements in place with Australia; are crucial agriculture export markets; and are proximate in terms of export costs associated with logistics. The most significant differences between these markets lie in the fact that anecdotally, we understood that ‘passing off’ and deceptive practices, fraud and counterfeiting were more prevalent in China than Japan. From a legal perspective, we also determined that the conditions for protection of provenance brands and high value goods were more clearly defined and easier to navigate in Japan (a mature market) than China (a developing market), thus presenting the opportunity to compare and contrast the legal operating environment of each. This enabled us to consider in more detail the form and nature of appropriate legal vehicles for collective action with regard to provenance brand protection in markets which might be construed as ‘straightforward’ or ‘multifarious’ in this regard. We also consider that China and Japan are ‘analogues’ for other export markets where similar conditions exist.

We designed a flexible qualitative study that could be undertaken in two parts. Such a design set the context required to achieve the research outcomes, but was not rigid, thus allowing for dynamism in the processes undertaken to complete the study (Sarantakos 2005, p. 117). This was important because it enabled us to:

- utilise the strengths of members of the research team; and
- maximise the opportunities presented in both pre-planned fieldwork engagements and those which subsequently presented themselves.

The research thus comprised the following components:

- Consideration of the legal frameworks and operating environment in Australia, China and Japan including nuances related to the registration of various forms of provenance brands and other forms of brand protection.
- Consideration of the current situation in each jurisdiction with regard to their efficacy in protecting brands of Australian value-added food products.
- Analysis of literature related to brand protection and of literature related to collective action (specifically in regard to brand protection).
- Consideration of the state of play from an Australian producer perspective in protecting their provenance brands in both these markets and potential strategies that could be used.

In order to achieve the aims of the study, we undertook both desktop analysis and in-country fieldwork in China, Japan and Australia. The project team undertook both literature reviews
(including academic texts; government reports; legislation; and various media sources) as well as semi-structured interviews to examine the research questions. The methods employed, including a description of the customised interview selection strategy developed, are included below.

2.2 Research Methods

Our research methods were consistent with a flexible qualitative study and included a review of relevant literature, as well as 35 semi-structured interviews that were determined on the basis of the research objectives; outputs from the literature review; analysis of initial themes; and discussion.

Members of the research team each undertook components of the review that related to their particular areas of expertise. Summary documents were then prepared, highlighting the salient points related to the study and subsequently circulated to other members of the team. This approach allowed the broad topic literature to be comprehensively covered in the most efficient manner whilst ensuring it was adequately synthesised. It also insured that topic areas were not considered in isolation. In this way, we ensured that a holistic understanding of the topic literature was brought to bear on the study.

We conducted a range of interviews in Australia, China and Japan. These included interviews with policymakers, export producers, export agents, and industry bodies in Australia, along with legal experts, policymakers and regulators in China and Japan.

2.3 Interview Sampling and Data Analysis

In-country fieldwork in Australia, China and Japan was undertaken to gather rich data from across a range of both an industry context and jurisdictional context settings. We took a thematic approach to interviews, using the data categories identified in the ‘Research Design’. This approach to social inquiry enables researchers to comprehend social situations and phenomena with regard to both their complexity and their natural contexts (Hird 2003). In this study, we drew upon data gathered from a range of actors through interviews to build a comprehensive picture of the existing situation with regard to policy and understanding the legal situation in both China and Japan, and to identify any legal nuances and anomalies that existed. For example, registering a GI in China can occur under three different regulatory frameworks, whereas this is not the case in Japan.

Through the interviews we conducted, we were able to ascertain the circumstances, effectiveness and frequency of use of various legal mechanisms available in each country. Our interviews also enabled us to examine experiences, understandings and perceptions of Australian producers with regard to the ‘ease of use’ of each of these frameworks. Our interviews also allowed us to ascertain the various measures Australian producers are employing pre-export to mitigate losses attributable to free-riding.

We chose semi-structured interviews because these enable the researcher to determine in advance the broad topic and themes around which questions might be asked, but do not restrict the researcher or the participant to a specific interview script or range of questions (Lindlof & Taylor 2002). Such techniques also allow flexibility within the interview, in that supplementary questions based on the context-specific discussions between the researcher and the interviewee may be asked (Saunders et al. 2003). Thus, for interviews of this nature, the questions tend to be open-ended rather than closed (Leonard 2003). In the context of this study, the flexibility afforded by this technique enabled interviewees to present additional rich data beyond any set questions we were asking. It also enabled further ‘sign-posting’ to other data sources and interview subjects who could add additional depth to topics and sub-topics being pursued, that might otherwise have been unobtainable. Inferences were then drawn from the experiences of these interviewees in relation to our research questions. We have included primary quotes from interviewees so that the information presented is in both the context and language used by actors with whom we engaged. Interviewees are referred to as numbered Respondents in the body of this report to preserve their anonymity, as per the ethical guidelines of our respective universities. We used experienced and professional translators in both China and Japan.
Interviews were not recorded, but extensive notes were made by interviewers. These were subsequently compared and discussed at the conclusion of each day’s interviews and correlated.

Data from interviews was subsequently ‘streamed’ to inform the various research components, in order to build a comprehensive picture that illuminated the broader research questions.

Our interview sampling was intentionally purposive, in that interviewees were specifically targeted based upon their knowledge, expertise or involvement across the themes outlined above. A list of potential interviewees was prepared prior to the commencement of field work. From the generated list, interviews were scheduled, information about the study was distributed and consent obtained.

Interviews were conducted over 40-90 minutes with at least two interviewers present. Some interviews in Australia were conducted by telephone and/or by a sole interviewer due to time constraints and the limiting factor of geography. Where this occurred, interview summaries were prepared and comprehensively reviewed by all researchers. In addition, field notes and observations were collated and recorded and subsequently compared.

Data analysis was undertaken across six phases as proposed by Braun and Clarke (2006) whereby gathered data are coded, major themes identified and further analysed. In this study, an additional analytical step was undertaken to those proposed by Braun and Clarke, in that data were streamed to the interlinked component parts of the study. In some instances, data were relevant to more than one component of the study. Thus, the process for data analysis comprised:

1. preliminary review of the data to identify emergent patterns;
2. identification of primary codes for further analysis;
3. development of overarching themes;
4. examination of overarching themes to confirm accurate depiction of the data had occurred;
5. theme definition and attribution to the data (including external validation);
6. attribution of data to the interlinked components of the study; and
7. generation of written report.

In structuring the resulting Report, a detailed analysis of the key factors arising from both the desktop analysis and interviews was combined. The resultant findings and future options thus comprise multiple elements, related to legal or regulatory reforms; legal strategies that could be adopted by export producers and agents; alternative or modified collective organisational vehicles or models to support provenance branding; and/or measures addressing provision of information and resources and education strategies.

2.4 Validity and Limitations of the Study

We investigated two export markets. We acknowledge that our findings and conclusions are therefore limited in that regard. However, we have used the similarities and differences of each to enable us to utilise these as analogues for other markets where such conditions exist. There are significant consistencies between China and Japan, and other emerging or maturing export markets in Asia. As indicated, our interviews represented a mix of sampling strategies, consistent with the research design. We aimed for in-depth analysis of the two markets presented. Given time constraints, we inevitably had to make trade-offs between breadth and depth. We partly compensated for this by using ‘snowball’ techniques to identify and interview particular actors with relevant knowledge and experience to inform the study.

One important consideration in relation to validity is the theoretical positioning of this study within the qualitative realm of social science research. We have taken a micro-macro approach (Braithwaite & Drahos 2000, pp. 578-601) to the study which has allowed us to consider data at national and
international scales and data generated from interviews, with those operating within the contexts examined. The study is also consistent with the grounded theory approach developed by Glaser and Strauss (1967). This positioning is especially suited to qualitative research where the researchers have diverse epistemological backgrounds. It also enables data derived from the personal experiences of people to be considered, whilst maintaining rigorous procedure (Sarantakos 2005; Glaser & Strauss 1967).
3. Legal Options – Collaborative Vehicles

3.1 Introduction

As indicated above, provenance branding highlights the qualities of a product by reference to the human and physical environment within which it is produced. Food products can uniquely reflect the characteristics of their place or region of origin, either as raw products and/or because they are locally processed. As with all branding there is an aspect of reality and an aspect of suggestion and evocation about provenance branding. However, since all growers and producers within a defined locality share the same features of geology, climate, natural environment, social structures and history, there is a natural setting for collaboration around provenance branding.

In terms of commerce and certainly with a view to the export trade, collaboration around provenance branding amongst growers and producers in particular regions must be based on consistent, stable and properly adapted foundations. Importantly this requires real dedication to a collaborative cause, leadership and tenacity, but it also requires a stable legal foundation, an appropriate legal vehicle that structures the collaboration in an optimal way.

3.2 Legal Options for Collaborative Vehicles

Van Caenegem et al. (2015b) commented upon the different ways in which farmers and local processors can collaborate to strengthen their market position (pp. 57-8, 66-8). The attached Matrix (see Appendix 1) (van Caenegem & Taylor 2016) is a decision support tool that sets out the different options and relevant issues that can be taken into account in collaborating farmers’ choice of a properly adapted and sustaining legal vehicle.

Such legal vehicles will allow pooled resources to be properly managed and secured, a long-term strategy to be agreed and implemented in an appropriate manner, and modalities of inclusion or exclusion from the collaborating group to be clearly defined. Importantly in the present context, they will also allow a provenance branding strategy to be selected, and then collaboratively established and managed. Certain legal vehicles may be better adapted to certain legal options in relation to provenance branding.

Fundamentally in Australia the legal underpinning for a provenance branding strategy is either a standard trade mark; a collective or certification trade mark; or a geographical indication of origin (IP Australia 2015) (see Chapter 4). As indicated, the latter is for the moment only possible for wines (Addor & Grazioli 2002). Reliance on unregistered trade mark rights (or ‘common law marks’) by way of the laws of passing off and consumer protection (misleading and deceptive conduct) is a very suboptimal strategy: the law provides much better options by way of the various registration systems. The latter provide certainty about rights, certain beneficial presumptions in cases of alleged infringement, and a much reduced onus of proof in most cases. Thus a proactive strategy where a group of farmers underpin a collaboration for local value-adding or quality improvement with a stable legal vehicle also provides proper foundations for the collective acquisition of a provenance brand by registration (van Caenegem et al. 2015b).

A collective mark, certification mark or GI is not an exclusive branding tool – it is commonly combined with the corporate brand each individual grower or producer in the area adopts and uses to identify the source of its own products. Such an individual brand can naturally also contain references to a place of origin or some of its special characteristics. Wine forms a standard example; both corporate trade marks and GIs are used, often with imagery of the source region, to combine both individual and collective branding strategies.

The law is a flexible instrument and thus there are a great variety of legal structures and combinations that a group of farmers and processors may choose and adopt. But generally, the most common
vehicles observed in rural areas chosen by growers and local processors are either: a company; a cooperative; a partnership; or a not-for-profit association (of which there are various kinds). Each of these vehicles may be an appropriate choice depending on local conditions, the nature of the product, the number of producers, the goals and intentions of the producers and so forth.

The company, although it brings shareholders together, is not really a collective vehicle. Incorporation of a company may be used by a number of growers and/or processors as a vehicle to invest in a common asset such as a processing facility or packaging plant or shed. Usually there will be a small group of reasonably like-minded investors involved. The aim of a company is not so much to involve all growers or processors in an area, but to establish an efficient and competitive entity. Commonly a company applies for a standard trade mark, which as we explain below, can include a place name or reference or image, although it will have to be sufficiently distinctive; that is, a place name as such or place name plus product will not normally be registrable as a trade mark.

The co-operative is a different but flexible legal vehicle based on principles of democratic decision-making, open access and equal voting rights for all members. Co-operatives were a very prominent aspect of the rural landscape in Australia until the era of deregulation but are back in vogue more recently (Cooper et al. 2014; Lyons 2001).

Co-operatives can serve to strengthen the bargaining position of otherwise isolated farmers and rural processors. But a co-operative can also function as an efficient vehicle to underpin a collaborative local branding strategy. Co-operatives combine stability with inclusiveness and democratic principles with effective governance structures (Reich 2007). If local businesses want to band together to develop a long-term provenance branding strategy and acquire rights through registration, then a co-operative may be an appropriate way to move up the value chain in the modern era.

A co-operative can acquire a collective or certification mark, which can then be used under specified conditions by all the members of the co-operative. In particular a collective mark, which is a form of trade mark specifically aimed at signalling membership of a group such as a co-operative, and which includes reference to the place where the co-operative operates, is an appropriate system. Recently co-operatives have acquired brands and trade marks to appeal more directly to consumers, and this is a valid option. However, co-operatives may also acquire a standard trade mark, although the fit is uneasy as it is important in a co-operative that the identity of the co-operative not be too far removed from the individual members for whom it exists (and not for external shareholders) (Cheong 2006; Hardesty 2005).

If the association between the individual growers or processors is looser, then a GI may be the appropriate option as a settled provenance branding vehicle. The use of a GI is not subject to license or authorisation by the organisation that manages it – any person who fulfils the criteria for use of the GI is entitled to place it on its products. That usually means production is located within a particular geographical zone, uses local product, and observes certain processing criteria (which can be as simple as requiring the product to consist of local ingredients, as is the case with wine GIs in Australia). For the sake of managing the quality control aspects of a GI, a not-for-profit association is appropriate, which can collect contributions from all users of the GI. The funds collected can be deployed to police compliance of local producers with the product specifications (quality control), but also to act against counterfeiters and imitators. In overseas jurisdictions specific legal vehicles exist to fulfil these functions, to which GI users contribute funds.

## 3.3 Export Markets

It is important for the sake of long-term planning, consistency and efficiency, to have both a stable and adapted legal vehicle and a properly selected proactive provenance branding strategy based on the acquisition of Intellectual Property Rights (IPRs). The group involved must be proactive rather than reactive in protecting its local origin branding values and chosen provenance profile. This is important in the Australian domestic market, but even more so in export markets.
Export markets require consistent volume and quality of supply, and the stakes are much higher in terms of reputational damage and repeat business in not meeting these conditions than would be the case in domestic markets. International buyers may simply choose to import from more ‘reliable’ producers beyond Australia, thus creating challenges for other Australian producers in other parts of Australia. Often other countries supply more cheaply and the perception of higher quality of Australian product is therefore of critical importance. Individual producers in Australia are often not in a position to absolutely guarantee quality and volume, but when working collaboratively can provide the necessary assurances to overseas buyers. To also tap the interest in ‘products of Australia’ and local origin in those markets, and to consolidate their profile and their higher margins in the long-term; collaboration – a long-term perspective, and adequate investment is required. As we learned in particular in relation to the Chinese market, an in-country presence and a proactive legal strategy is required (Respondent #23). Australian producers should secure their provenance brand by preventing abusive registrations by third parties and by acquiring appropriate branding rights in-country. They should have some form of legal defence strategy in place and also reliable partners to pursue their strategy and to police infringement in certain markets.

Proactive and precautionary protection for provenance brands, a long-term vision and strategy all require a firm domestic footing in Australia. Without the appropriate legal vehicle, arrangements will be too ad hoc and unreliable in the long-term. In terms of branding, if an Australian group wishes to pursue a collective trade mark, a regional collective trade mark, a certification mark or a GI in an export jurisdiction, they will first have to acquire those appropriate rights domestically. Every foreign jurisdiction makes the acquisition by registration of such rights dependent upon the pre-existence of an Australian registration of a similar kind. Of course, the option of an Australian registered GI currently only exists for wine (Addor & Grazioli 2002; Battaglene 2005). One of the reasons why we call for the GI option to be available for other food and drink products, is to enable Australian producers to pursue GI protection in export jurisdictions if that appears the optimal or a desirable strategy. This point emerges from our legal analysis below (see Section 6.4).

### 3.4 The Matrix, Export Organisation and Branding Strategy

The Matrix (see Appendix 1) (van Caenegem & Taylor 2016) is an initial instrument that farmers interested in collaborating can use to consider the various legal options available to structure and support their collaboration. There is no strict path towards one or another of the options, but some are certainly more appropriate than others. The Matrix considers not only co-operatives and companies, but also partnerships and the various forms of associations in more detail. A farmer group intent on collaboration should first consider the Matrix factors and questions.

In conjunction with appraising the Matrix factors for collaboration, consideration of what sort of provenance branding strategy a group intends to pursue or would find most suitable should also be undertaken. In other words, where farmers are considering how to organise themselves and on what legal foundations to settle their collaboration, they should also consider the provenance branding options they have and how particular options might best mesh with particular legal vehicles. There is no strict predictive logic about this approach – rather the matrix and the discussion below concerning branding legal strategies promote discussion and consideration of important points.

However, ultimately the most important consideration is that if farmers wish to collaborate to take advantage of export opportunities for high value consumer-oriented food products, they must both adopt an appropriate legal form of collaboration, a long-term consistent branding strategy, including careful consideration of the advantages of place, and the most efficient way of turning that strategy to account in a given export market or markets. Certainly in large and important markets such as Japan and in particular China, a real market presence combining technical means to protect brands combined with a long-term legal strategy requires active steps to obtain a secure legal footing and maximise brand life in-country.
4. Legal Options For Provenance Brand Protection

Broadly speaking, a provenance brand is one that reflects an association of the branded product with the place in which it is produced. There are a number of options for the protection of a brand that includes a place or regional name. They are:

- Reliance on passing off or consumer protection laws;
- Registration as a standard trade mark;
- Registration as a certification or collective trade mark;
- Registration as a geographical indication of origin (GI); and
- Reliance on labelling laws, including country of origin laws.

These are relatively harmonised options in global terms, and their general characteristics are considered here. However, there are some significant jurisdictional differences, which are outlined in Part 5 of the report, which is country-specific.

It should be noted that business names registration laws are not covered in this report since it does not concern the protection of reputation or goodwill, but merely serves to identify the person or interest behind a business name, for the purpose of enforcing financial obligations (ASIC 2016).

4.1 Policy of the Law

Generally, the law tends to pursue two goals: first, accuracy in terms of the indication of the geographical origin of goods. Where the consumer expects accurate information from the use of a geographical term, this is a matter of consumer protection and unfair competition laws (Sims 2014). The law is concerned here with the literal meaning of a geographical term used to indicate the geographical origin of goods. Secondly, the law pursues the goal of protecting the goodwill or reputation that vests in a geographical term used as a brand – in other words, the law protects not the primary but the secondary meaning of the term used. Here the law is concerned with branding rather than accurate information about the geographical origin of goods. In the latter sense provenance brands play a role no different from that of standard corporate trade marks: encouraging investment in product quality and consistency through the protection of the resulting goodwill from free-riding by competitors. Provenance brands also serve the purpose of consumer search cost minimisation for experience goods, just as standard corporate trade marks do. GIs and other forms of provenance branding are thus instruments of protection, although they are sometimes criticised as being instruments of protectionism. However, that is principally due to two reasons connected to the trade policy of the European Union. First, the EU consistently attempts to regain control of GIs that have become widely used as descriptive terms around the world through negotiations. Secondly, the EU sometimes seeks to extend protection to signs that are not place names such as bottle shapes or ‘traditional expressions’. However, these practices do not alter the basic function and policy goals of provenance brand protection.

4.2 Reliance on Passing Off or Consumer Protection Laws

All jurisdictions have laws that protect consumers against misrepresentations of all sorts that traders either deliberately or negligently inflict upon them. Generally consumers have a real interest in accurate information about the geographical origin of goods (Dinwoodie & Janis 2008; Burrell & Handler 2016). They may attach more value to goods from one place than from another. However, sometimes geographical terms are used as corporate brands, rather than as indications of actual geographical origin, in which case the use of a place name in that brand may not reflect that the goods...
to which it is applied are produced there. For instance, if ‘Patagonia’ appears as such on clothing, it may be that the Australian consumer sees this merely as a brand as opposed to a sign indicating that the clothes are made in that particular part of South America.

Passing off laws on the other hand, protect the goodwill a trader has accumulated – that is to say, the recognition and reputation attached to a sign that the trader has used in commerce to indicate that goods originate with that trader. In civil law jurisdictions this form of protection for unregistered or ‘common law’ marks falls under the general rubric of unfair competition law; such an action does not historically exist in the common law tradition (Shanahan 1990).

Here the focus is not on accurately indicating in which place goods originate, but in protecting the link between goods and a particular trader in the eyes of consumers (ACCC 2016c). A term may well have a descriptive element indicating origin, but may also indicate a particular trader to consumers who have become familiar with it. For instance, ‘Sydney Central Grocer’ may indicate that the grocery business is located in central Sydney, but when used consistently in that configuration by a single trader over time, may come to indicate a single particular business located in that general area. Therefore it may be unfair or considered to be ‘passing off’ if another trader came to use it in relation to an unconnected grocery business even though located in central Sydney. Such use would be actionable not because it gives a false indication of where the business is located, but because consumers think it is connected to the trader they have come to know as ‘Sydney Central Grocer’ (van Caenegem 2015). In that sense, it misappropriates the reputation of the term that the trader has accumulated over time.

4.3 Registration as a Standard Trade Mark

In lieu of relying on the general law of unfair competition and consumer protection, a trader can register a sign as a trade mark (Cowell & Greco 2012). A trade mark is a sign that indicates that goods originate with the party that owns or controls the mark. That party is usually a company or co-operative or some other legal entity. A trade mark must be distinctive in the sense that a consumer can use it to distinguish one commercial source from another. A sign that is too descriptive cannot be registered as a trade mark (for example, ‘Apple’ is a distinctive mark for computers, but would be wholly descriptive and unregistrable for apples). The law in different jurisdictions has developed subtleties, but the basic principle remains that a geographical term is taken to be too descriptive to be registered as a trade mark: it indicates the real geographical origin of goods rather than the commercial origin of goods with one or another trader.

However, it may be that the geographical term concerned is totally unknown to any consumer within the jurisdiction, or it is immediately obvious that it cannot be intended to indicate the actual origin of the goods concerned. Then it may be distinctive (rather than descriptive) enough to be registered as a trade mark: the ‘North Pole Bananas’ example proffered by the High Court in Clark Equipment Co v Registrar of Trade Marks (1964) 111 CLR 51 is a case in point, as would be a foreign place name that is unknown in the jurisdiction of registration.

Finally, it may be that the place name has been used consistently for a long time as a trade mark without registration, and although descriptive has become uniquely associated with one commercial source. ‘Bega’ as a brand for cheese is a good example: although a real place where cheese is made and lying in a dairy district, it has been uniquely used as a trade mark for a long time and obtained registration as such. The term’s secondary meaning (commercial source indication) has overwhelmed its primary meaning (cheese originating in the place Bega) (Lux 2011).

This general framework applies in all jurisdictions, but there are important differences in the details of the rules (Raustiala & Munzer 2007). In particular, some jurisdictions will be much more insistant on proof of acquired distinctiveness – that is, that the place name is seen by consumers as an indication of commercial origin rather than geographical origin – than others. This can be significant in terms of the other options available for provenance branding and is explored further below.
4.4 Registration as a Certification or Collective Trade Mark

A standard trade mark is a private property right, owned by a particular business or entity and used to distinguish its goods from those of another trader (IP Australia 2015). There are good policy reasons why a particular private party should not obtain monopoly rights in a trade mark that can be taken to describe the place of origin of goods (Handler 2015a; 2015b). Other traders should be free to describe where their goods originate or their business is based. An alternative therefore is that interested traders in particular goods in a particular area collectively own a mark that describes geographical origin. If the producers of certain goods in an area together own the mark then there is no monopoly problem, at least if membership of the collective is open to all producers in the area alike. Thus a collective trade mark which is a mark owned by a collective or association is a valid option which exists in most jurisdictions. A collective trade mark indicates that goods have been dealt with or passed through the hands of a member or members(s) of the collective or association that has registered it.

A collective trade mark is also required to be distinctive – that is, capable of distinguishing goods that have been dealt with by the collective from others. If the collective trade mark contains a place name, this includes others in the same area who are not members of the collective. Thus a collective trade mark that simply consists of a regional name (‘Hunter Valley’) or regional name and product (‘Hunter Valley Cheese’) that accurately describes the goods and their geographical origin, should have difficulty obtaining registration. A collective should not monopolise such a term at the expense of those who choose not to be members of the collective but still wish to indicate where their goods originate. A collective trade mark should therefore normally include an identifier of the group or association or some other terms or device elements; alternatively the geographical name may be a novel one that although technically accurate, is not gazetted or traditionally used for a particular area. For instance, ‘Gimblett Gravels’ describes a New Zealand wine area; historically, the geographical/geological feature to which ‘Gimblett Gravels’ refers (Gimblett Gravels 2016), has not been used as a place name but was nonetheless subsequently coined to identify a particular area (Handler 2015a; 2015b; Banks & Overton 2010).

However, in many jurisdictions (for example, the US, Japan and China; as to the latter see further below) the trade mark laws are specifically adapted to provide a relaxation of the normal requirement of distinctiveness and allow collective regional trade marks to be registered even though they are purely descriptive. For instance, in the US, Lanham Act, 15 U.S.C §1052 (1946) specifically excepts a geographical term registered as a collective or certification trade mark from complying with the distinctiveness requirement. ‘Certified Genuine Idaho potatoes grown in Idaho’ has for example been registered as a certification trade mark (Goldberg 2001). Where this exception is applied in relation to distinctiveness of a regional collective trade mark then such a mark functions in a manner closely related to a registered geographical indication of origin. If not (as for instance in Australia), then a collective trade mark is not a valid alternative to a registered geographical indication. In any case, a collective trade mark, just as a certification trade mark, is subject to the normal derogations and exceptions that apply to all trade marks (Burrell & Handler 2016). In that sense it is quite different from a registered GI (see below).

A certification trade mark is owned by an individual business or organisation and used to distinguish goods certified as to quality and so forth, including origin, and relevantly as to origin, from non-certified goods. A certification trade mark is a private right and the law generally requires that a certification trade mark must be distinctive – that is, capable of distinguishing certified from non-certified goods. It can thus not be purely descriptive, as an individual person, business or organisation should not have the monopoly right simply to accurately describe the geographical origin of goods. Thus normally a certification mark will include a device element, or some other terms or a slogan and the like, which makes it distinctive rather than purely descriptive. If it does not, then the certification trade mark is not capable of distinguishing goods certified by the mark owner from goods that are simply accurately badged as originating in a particular area.
4.5 Registered Geographical Indications of Origin

A GI is a geographical term that indicates the place of origin of goods but also suggests that those goods have qualities derived from their particular geographical origin. A GI is a descriptive term and is thus unlike a trade mark, and is not a private right but one that is reserved for use by all and any of the growers or producers of a strictly delineated region. Usually the use of the GI is also conditional upon observance of particular specifications or product standards (Xu 2006; Goldberg 2001). Any person who observes the rules attached to the use of the GI can place it on the goods or advertise and promote the goods with the GI. Unlike a certification trade mark, where licensing is possible, a GI is a public right (and thus not owned to be subsequently licensed, assigned, or transferred) and therefore any person can use the GI as long as they adhere to the rules of origin and specifications (Loeber et al. 2011).

The aim of GIs is to protect the reputation for specificity or special quality of certain products, most commonly food products that emanate from an area. GI registration does not give a monopoly over production of the goods described in the specification, but does reserve the right to use the real name of a place only for those who observe the rules (Ferrari 2014). The registered GI system has the combined aim of a quality guarantee and a form of protection for the reputation or goodwill attaching to a particular product (for example, fruit, cheese, ham, wine) from a particular place. Usually that reputation has been accumulated over time by the use of particular, traditional or unique methods of production, and/or varieties, styles and compositions. Although a GI is not private property, once registered a GI is usually managed by a local group or association in whose name it is registered (O’Connor 2004).

Unlike the trade mark system, registration of GIs is not universally adopted in all jurisdictions. Traditionally, common law jurisdictions and new world jurisdictions have not enacted special legislation to register and protect GIs as has been extant in European countries and the EU. Instead, they have tended to rely on certification or collective marks (Goldberg 2001; Raustiala & Munzer 2007; Josling 2006).

4.6 Different Legal Characteristics of Registered Trade Marks and Registered GIs

There are considerable differences between trade mark and GI systems. The latter is in effect a public regulatory tool, whereas trade marks are a private property right (whether they are registered or not). A GI is administered by a collective body or association, but any person who complies with the rules and specifications of a GI is allowed to use it – whereas to use a trade mark, a license or permission of an ‘owner’ is required. As it is a public system, it also falls more to public authorities to police GIs, whereas trade mark rights are enforced only at the behest of the trade mark owner (Conneely & Mahon 2015). Although GIs are dealt with in the IP chapter of the WTO agreement (Agreement on Trade-Related Aspects of Intellectual Property Right – ‘TRIPS’), in truth they are not like other IPRs in this crucial respect (Heald 1996). Public authorities tend to take responsibility to ensure observance of the quality requirements and rules of origin specified and gazetted for a GI, and also police counterfeiting and imitation of GI products.

GIs also benefit from a much stricter enforcement regime. There is no need to prove consumer deception or confusion to obtain a remedy in relation to the misuse of a GI, whereas such proof is required in relation to common law marks and to varying degrees also for registered trade marks (van Caenegem 2015; Knaak 2015). For a trade mark, it is also required that the allegedly infringing use would be perceived by a consumer as use as a badge of origin (‘trade mark use’) rather than descriptive use, or comparative use. For instance, if ‘Kettle’ is a registered trade mark for potato chips, then the phrase ‘Kettle cooked potato chips’ on a rival’s pack may be considered a descriptive use of the term ‘kettle’ (see Pepsico Australia Pty Ltd & Anor v The Kettle Chip Company Pty Ltd [1996] FCA 48).
Any use of a GI outside the conditions under which it is registered (that is, a product from a different place or from the right place but not observing the production specifications), including the use of terms such as ‘style’ or ‘kind’ is strictly prohibited as is any generic or descriptive use (‘Champagne style wine’, or ‘A champagne from Southern Australia’), or any use in translation or transliteration.

There are common exceptions and derogations to the rights of a trade mark owner to the exclusive use of the registered sign as a mark. Most importantly any good faith use of a trade mark to indicate the origin and/or quality of goods is allowed. A rival business can therefore use a place name that is registered as, or that forms part of a registered trade mark to indicate in good faith where their place of business is located – and thus usually the geographical origin of the goods so trade marked (Callmann 1949). Trade mark rights also extend primarily only to goods that are described in the application, and they can be a relatively narrow range of goods so that use on any other goods falls outside the exclusive rights of the trade mark owner or is only actionable under certain conditions. Further, trade marks must be used in order to remain validly registered, whereas this is not a requirement for GIs (although there is some controversy about desuetude (Gangjee 2007)). Trade marks are also subject to a defence of ‘genericisation’ or to removal from the register because they have become generic (descriptive) terms (Handler 2015a; 2015b). For example, in *Australian Health & Nutrition Association Limited (t/as Sanitarium Health Food Company) v Irrewarra Estate Pty Limited* [2012] FCA 592, the trade mark ‘Granola’ was registered in 1921 in class 30 (includes cereals). Nonetheless the court found in favour of the defendant, who was using the term granola on the package. In the context, this was a simply descriptive use of the word to identify the cereal product contained in the pack. As a mark becomes more descriptive and generic, it is harder for the trade mark owner to prevent another person from using the trade mark. This is not the case for a GI as it cannot legally become generic, nor can a defence of ’genericisation’ be applied to its use.

### 4.7 Reliance on Labelling Laws

Labelling laws are directed at providing consumers with accurate information about the contents of products, and they are particularly important in the context of food. Such laws are found universally, but vary as to the subject matter required to be addressed on labels. An accurate indication of the composition of food products, as well as of certain nutritional values is commonly required by law. Accurate information protects consumers against dangers that can emanate from food, but also allows them to accurately identify the characteristics of those goods, including, for example, their geographical origin. In many jurisdictions there are no specific requirements to indicate the regional origin of goods on labels, with the only standard being that labels should be accurate. If a producer chooses to include place of origin then this too, must be accurate, reflecting both general labelling law and the general law concerning consumer deception as to information contained on the label.

While not universal, in some jurisdictions particular information concerning origin must be included on food labels. In Australia for example this requirement applies to country of origin for certain food products (if not on labels then on displays) (van Caenegem 2015; Wood et al. 2013). A new country of origin labelling system has been implemented under the Australian Consumer Law and commenced on 1 July 2016. Most foods produced, grown or made in Australia will be required to display a label with a kangaroo in a triangle symbol, a statement indicating that the food was grown, produced in Australia and/or the proportion of Australian ingredients that the product contains. The ACCC hopes that this will comply with the demand of consumers to know where their food comes from and improve protection against misleading products (ACCC 2016b).

Some jurisdictions have also chosen to comply with international obligations relating in particular to GIs for wines, by requiring accurate labelling as to geographical origin in line with the specifications applicable to particular GIs. Some products, most notably alcoholic beverages, are subject to special labelling requirements, and applicable legislation lends itself to compliance with GI regulatory standards.
5. Legal Analysis: Supra-National

5.1 Introduction: Is there a Need for GI Registration for Food?

As indicated above, the principle options open to Australian producers of consumer-oriented rural food products in terms of provenance brand protection are collective trade marks registration or reliance on a registered GI. In both cases registration of a provenance brand in an export market jurisdiction is conditional upon a pre-existing domestic registration of the same brand in Australia. In other words the local producer will have to register either a collective or certification mark, or a GI in Australia first, which then serves as the basis of an application and registration in the other jurisdiction. If the domestic producer has registered an Australian standard trade mark, it can use that registration to obtain registration of the same sign as a standard mark in a foreign jurisdiction by application. Alternatively an Australian producer could simply apply for the registration of a new standard mark in the other jurisdiction (for example, an adaptation suitable for the export market, or a translation or an entirely new mark that fits into the producer’s in-country marketing strategy). Although in some cases even where local producers collaborate to generate and brand local products for export, and a standard trade mark may be an appropriate option, this report is focussed on collective and certification marks, and GIs. The reasons for this focus are made clear in Section 3.3 above.

In relation to wine, an Australian exporter can rely on a domestic GI registration under the Wine Australia Corporation Act 1980, No. 161 (Cth). However, for other food and beverages no domestic GI registration is possible, in other words, if in the future a local producer is to benefit from the option of registering an Australian GI for such goods in an export market, legislation will first have to be introduced in Australia to permit registration of food and beverage GIs. The issue here is whether the potential benefits of registration of an Australian GI in a foreign market (such as in our focal markets of Japan and China) supports the introduction of the necessary GI legislation in Australia.

This question requires consideration of the nature of GI registration and protection in the relevant export jurisdictions; the availability of alternative forms of protection and their suitability; the manner and extent to which Australian GIs could gain recognition in export jurisdictions; and general strategic issues. In terms of obtaining protection in other jurisdictions, GIs have a more complex history than trade marks. A standard trade mark requires an application in every jurisdiction where protection is sought (although administrative procedures exist to simplify this process) and it is thus up to the trade mark owner to decide whether and where to lodge applications (see Article 3 Madrid agreement concerning the international registration of marks (April 14, 1891)). For GIs this option also exists but not in all jurisdictions, as is the case for trade marks. For GIs the picture is complicated by the fact that many jurisdictions do not have specific or sui generis GI legislation that allows for registration either by domestic or foreign applicants – Australia is a case in point in relation to products other than wine. However, in such cases the option exists of applying for a certification or collective mark instead – and the availability of this option allows compliance with the GI requirements of TRIPS, in particular in relation to wine (Article 23 TRIPS).

The picture is rendered more complex again by the fact that in relation to GIs, since they are public instruments, there has been a tendency for governments to enter into direct agreements for mutual protection of nominated GIs, bypassing the need for GI owners to lodge individual applications in other countries. The European Union and individual European countries in particular have sought to obtain protection for their domestic registered GIs by mutual recognition agreements (either as free standing treaties or in FTAs). This means that the option exists for individual countries with registered GIs, to seek to obtain the advantage of protection en bloc in other countries. For Australia for instance, it would mean that putative registered food GIs could obtain protection in some important export markets through direct negotiation to that effect between the countries involved. Naturally Australia would then have to offer reciprocal protection of GIs from those countries domestically.
Whereas in the past countries such as Australia and the US have not favoured this option and have also not adopted GI registration mechanisms, the question now is whether the potential advantages this ‘system’ of international reciprocal negotiation of GI terms might offer benefits to Australian producers with provenance brands in the future. It is thus important to gauge the potential developments in this area, which requires consideration of multilateral obligations (WTO/TRIPS) and then developments in terms of bilateral and FTA agreements that have transpired since, and that are currently on the drawing board.

5.2 TRIPS Obligations and Developments

When gauging future developments in the area of GIs, it is important to recognise that GIs have been an international trade battleground for a long time now, and that agreements concluded between various signatory countries to date are very often not reconcilable (van Caenegem 2015a).

The TRIPS agreement set up different standards of GI protection for wine and non-wine products. Article 22.2 of TRIPS provides a simple requirement for food other than wine, which is that the member states should prevent misleading designations of origin. In respect of non-wine products TRIPS thus merely reiterates what was already required by the terms of the Paris Convention for the Protection of Industrial Property of March 20, 1883, which outlaws unfair completion including false and misleading representations in commerce (Malbon et al. 2014). On the other hand, TRIPS provides higher standards of protection for wine and spirits. Signatory countries should, by virtue of Article 23.1 provide means to GI owners to prevent the use of GI on wines or spirits not originating in the place indicated by the GI, even where the true origin of the goods is indicated or the geographical indication is used in translation or accompanied by expressions such as ‘kind’, ‘type’, ‘style’, ‘imitation’ or the like. In effect, the use of a wine or spirit GI is prohibited even if it does not mislead consumers (Heald 1996; Echols 2003). The general interpretation of Article 23 and Article 24 TRIPS combined is that member countries should provide the means whereby a foreign wine-GI owner can obtain the higher level of protection by virtue of some form of registration of the term concerned, if the term is registered as a GI in the country of origin (Blakeney 2012; Vivas-Eugui & Spennemann 2006).

Since the TRIPS agreement, signed on 15 April 1994, no significant multilateral agreement has been reached by the WTO member states regarding GIs. Negotiations amongst WTO members have stagnated and two opposing views have developed amongst member countries regarding GIs (Evans & Blakeney 2006; Creditt 2009).

On the one hand, the EU led by France, Italy and Spain is pushing for global adoption of a sui generis GI regime modelled on the European register with high-level protection of registered names and non-exclusion of generic terms. The EU advocates strongly for an extension of Article 23.1 TRIPS to all foodstuffs and not just to wine. The EU also wishes to establish a multilateral register of GIs with direct legal effect in member countries (Knaak 2015). Further, the EU has sought to move negotiation about GIs from the IP sphere and TRIPS, to the agriculture negotiations: in that context it has presented its so-called ‘clawback’ list of GI terms (Vincent 2007; Wisconsin 2014; EC 2003). This means that the EU wishes to have a monopoly on the use of GIs protected in Europe, and wishes to deny the use of the GIs terms by third countries (such as Australia) for products which don’t actually originate from the place of origin. It is irrelevant for the EU that the geographical terms have acquired an arguably generic status in the third country.

However, the EU has failed to obtain progress on these topics at the WTO. Instead it has pursued its agenda to obtain higher protection for its GIs through bilateral agreements with third parties (Engelhardt 2015; O’Connor & Richardson 2012).

The ‘new world’ countries led by the US are opposed to any GI extension. Australia follows the latter approach and consistently refuses the extension of the protection provided for wine GIs to other foodstuffs. Australia wishes to keep using the EU GI-registered place names which have become
generics in Australia (Bowers 2003). Similarly, the US and Australia are trying to promote their approach by negotiating agreements with, often, the same third party countries as the EU. They seek to counter the approach pursued by the EU in relation to GIs. These third countries are mainly in Asia. Our fieldwork undertaken in China and Japan confirms the important pressures these countries experience from both sides: all our interviewees, being academics, practitioners or officials both in Japan and China, were well aware of these disparate expectations. They have devised varying strategies to accommodate them.

The disharmony risks inhibiting further negotiations and GI inclusive trade agreements, such as the future Transatlantic Trade and Investment Partnership (TTIP) between the US and the EU and the potential Australia-EU FTA (EC 2016). The EU delegation in charge of scoping the future negotiations between the EU and Australia stressed that the EU is not willing to concede on the GI issue, which is considered by officials as a real ‘deal breaker’ (Respondent #27).

The position adopted by Japan clearly reflects the impact of international relationships and pressures on the local GI system. Originally, due to political pressure from the US:

Japan did not think that they were well positioned and that they were even able to have a GI system. (Respondent #10)

However, a lot of Japanese products have long been produced in specific localities and there has been a continuous tradition of localism and ‘terroir’ in production and consumption. This means that Japanese products are often considered as having specific characteristics imparting from the area, the land the products come from. In the words of one respondent, food tourism in Japan is ‘part of its heritage’ (Respondent #3). It was however only in June 2015, under pressure of the EU, that Japan introduced a sui generis GI registration system. An adapted regional collective trade mark system already existed and continues in operation – see further below.

Japan is now looking for further free trade agreements with both competing countries (the EU and the US) (EC 2016c). The strategy adopted by Japan regarding the signature of these treaties suggests the importance of provenance branding and its local impact. All our interviewees were well aware of the chronology that should be followed by Japan. An expert of the ministry of agriculture panel who is involved with the negotiations for a new bilateral agreement with the EU, explained that the Trans-Pacific Partnership (‘TPP’) agreement will have to be signed first and, notwithstanding potential blocking or deferring of the TPP due to internal political developments in the US, ‘the FTA with Europe will have to wait’ (Respondent #9). The TPP aims to minimise legal development on the GI issue in some TPP parties, including Japan. Accordingly, Article 18.36: ‘International Agreements’ of the final draft of the TPP provides a mechanism by which if a party protects GIs pursuant to an international agreement with a non TPP party the former should inform the other parties to the agreement of the terms being protected by the bilateral agreement and to which extent the terms are being protected (for example, including translated terms, information regarding multi-components terms). The other parties should also be placed in a position to be able to oppose the protection or recognition of the terms covered by the bilateral agreement. We heard that Australia tried by various ways to influence the negotiations between the EU and Japan, including through individual talks, industry representations (particularly Dairy Australia) and collective representation from the study group (composed of Australia, US, UK) (Respondent #12). Some grounds of opposition and cancellation are also provided for in Article 18.32 of the draft TPP including ‘if a geographical indication is likely to cause confusion with a trade mark that is the subject of a pre-existing good faith pending application or registration in the territory of the Party’; ‘the geographical indication is likely to cause confusion with a pre-existing trade mark, the rights to which have been acquired in accordance with the Party’s law’; and ‘the geographical indication is a term customary in common language as the common name’. Thus, this agreement provides the TPP parties with more institutionalised and therefore more efficient procedures to oppose the protection of the terms included in bilateral agreements a GIs (see TPP Final Draft on Intellectual property issues 2016).
Japanese officials confirmed that an amendment to Japanese GI law to comply with the TPP is ready and will enter into force within two months after the TPP does (Respondent #11). An interviewee noted that there is no mutual recognition between Japan and all TPP countries and a bilateral agreement will have to be reached between Japan and each partner country in order to protect GIs (Respondent #4). This means that if a potential GI system is implemented in Australia after the TPP is signed, Australia will have to reach individual agreements and probably exchange a list of GIs to be protected in each member country.

The more general lesson learned from the Japanese example is that the GI issue is an international deal breaker and that international negotiations directly impact on the rules adopted by national legislation. The opposing blocs in terms of GIs both strategise in different ways to gain some advantage for their particular position, which results in complex treaty provisions, interestingly including some that seek to extend party obligations to negotiation with non-party countries.

5.3 European Strategy and its Impact on Export Markets

As indicated above, in order to mitigate the lack of progress at the multilateral/WTO level, the EU has sought protection of European GIs through bilateral trade agreements that include specific GI provisions, rather than special agreements about GIs like the EU-Australia wine agreement (Engelhardt 2015).

An interviewee diplomat well acquainted with international negotiations stated 'the EU is advocating strongly in favour of a sui generis GI system’, for better protection of their GI products worldwide (Respondent #21). Such a sui generis system is contrasted with the alternative of protection by certification or collective trade marks which the EU considers inferior. The same respondent added that Australia is observing bilateral negotiations between the EU and Asian countries and attempting to make its interests known to the parties. The implications of these agreements are indeed potentially crucial for Australian exports and more broadly, the Australian economy (Drahos 2003).

The common denominator of all FTAs recently negotiated between the EU and third countries is that they include a list of GIs from each country that has to be protected in the other country. Often, the long list of EU GIs (nonetheless forming only a small part of all GIs registered in the EU) contrasts with the few terms listed that have to be protected in the EU. This suggests that the EU has the leading negotiating position deriving a disproportionate benefit from the agreements, which sometimes also require modification of the GI system of the partner country to mirror the sui generis EU model, in particular regarding the scope of protection and the enforcement regime (Engelhardt 2015). Not only is the European GI list usually longer, it also more often concerns terms that have become common currency in other parts of the world, whereas the reverse cannot always be said.

In 2007 the EU implemented a binding agreement with China involving a list of 10 European GIs to be protected in China and vice versa. A European expert commented on this 10+10 agreement, saying that ‘there has been political pressure and I am not sure how rigorously the agreement was examined’ (Respondent #23) (see EC 2012). This would explain why some of the products listed are not even exported or only exported in really small quantities and are not famous at all in China (for example, UK products included in the 10+10 are West Country Farmhouse Cheddar, White Stilton Cheese, and Scottish Farmed Salmon).

At the 16th EU-China Summit held on 21 November 2013, both sides announced the launch of negotiations of a comprehensive EU-China Investment Agreement (EU 2013). Both parties are currently working on a 100+100 GI project expanding on the 10+10 deal. After years of negotiations and even though this is not officially announced, an expert advised that the agreement might be ready and could be presented soon (Respondent #23). The imbalance in this potential agreement is apparent as it is, if not impossible, then at least very challenging to identify 100 Chinese GI products to be exported to the EU in order to take advantage of the system. Some uncertainty may also result from the fact that the legal protection of the terms included in such lists is not always guaranteed. While
some interviewees referred to an automatic protection of the product GI in China, most of the interviewees confirmed that the products listed actually need to be examined again by Chinese authorities for conformity with domestic regulatory standards (Respondent #23). However, it may be that examination standards are relaxed in relation to GIs included in bilateral agreements: producers of GIs included in the list are likely to get a ‘fast track’ and the Chinese authorities might also assist with all the steps in the process (Respondent #23).¹

The same interviewee also noted that there are a lot of discussions with EU member countries individually, notably with France. This suggests that registration of a GI without ‘Government support’ and ‘connections’ might be problematical in countries like China. Thus direct negotiation with France has recently resulted in the inclusion of Bordeaux as a protected GI in China. The Director of the Conseil interprofessionnel du vin de Bordeaux (CIVB), Fabien Bova summarised the matter as follows: La Chine a beaucoup de demandes et privilégie les pays qui ont des relations bilatérales (‘China receives many demands (regarding GI registration) and prefers to assist countries with which it has bilateral relations’). This was the result of years of relationship building between France and China in this regard (Niedercorn 2015).

The EU is also negotiating a bilateral agreement with Japan, which is to contain lists of GIs to be exchanged. The 16th round of negotiations took place in Tokyo in April 2016. New GI legislation has been implemented after the EU exerted pressure. It is very much inspired by the EU system. All Japanese experts interviewed saw this legislation as a way to put Japan in a better position for further negotiations with the EU. This new legislation is also considered by Japanese policymakers as an opportunity to develop agricultural exports to Europe, which might be more willing to import high quality products that are already protected under the national GI law of the country of origin. An interviewee summarised the hope of the Japanese thus:

GI stimulates the products and the dissemination of the products in other countries. (Respondent #5)

Generally officials noted that if the TPP is concluded, protection of Japanese agriculture will be substantially reduced, and developing high value food exports under the GI banner is seen as a way of reinvigorating Japanese agriculture under new conditions.

Another interviewee, formerly involved in international negotiations for TRIPS and who drafted the modifications for a bilateral agreement with the EU, confirmed that GI lists, which are probably skewed in favour of Europe in terms of the number of GIs, were currently being examined by the countries (Respondent #9). According to the official report dated 11-20 April 2016 (EC 2016a), the negotiations have focussed on the existence of conflicting names and parties have failed to agree on substantial issues. However, as we have previously seen, some Japanese and international officials involved in the negotiations stress that there will be no agreement with the EU before the implementation of the TPP, notwithstanding delays in finalising TPP negotiations (Respondents #4, #11, #12).

The EU signed a FTA on 6 October 2010 with South Korea, which provides for mutual recognition of respective GI laws (Article 10.18). Both countries also supplied a list of GIs that must be automatically protected by the other party (Annexes 10-A and 10-B). Some rules concerning the legal systems are also included. The inclusion of the extensive list of EU GIs seems to result in automatic protection in Korea. Thus, individual owners do not need to apply separately in the foreign country. Australia also signed an agreement with South Korea which entered into force on 12 December 2014. An exchange of letters prior to the signature of the Korean-Australian Agreement indicate the interest Australia had in the GI issue. The Department of Foreign Affairs and Trade sought further updates or clarifications regarding the provisions of the free trade agreement between Korea and the EU. South Korea reassured DFAT on several points including the protection of the compound terms only (and

¹ The registration of Cognac by AQSIQ required three years negotiation with the Chinese government (King & Wood 2011).
not the individual component), the generic character of cheese names, the right for third parties to submit an opposition to a GI registration and so forth.²

The Canada-EU summit on 26 September 2014 marked the end of the long negotiations for the Comprehensive Economic and Trade Agreement (‘CETA’) (Viju 2013). The text has been made public but is still not binding. It is a success for the EU, especially given that Canada is traditionally aligned with the US/Australian position regarding GI protection. As in other FTAs, the parties exchanged a list of GIs to be protected. Canada however provided some reservations to the sui generis system imposed by the EU. Relevantly, Chapter 22 Article 7.6 of the CETA provides that some terms such as ‘Feta’, or ‘Gorgonzola’ can still be used in Canada irrespective of the GI registration of those terms in the EU, if some expression is used to disassociate the product from the famous area of production (such as ‘kind’, ‘type’, ‘style’, ‘imitation’). Further, producers of cheese who have made commercial use of GI terms before 18 October 2013 can continue to use them even without any additions in order to prove the disassociation between the product and the geographical origin (Chapter 22 Art. 7.6(2)). These agreements are seen as setting precedents for further and more exhaustive trade agreements, especially the TTIP between the EU and the US (Engelhardt 2015).

The main concern for Australian exporters and especially the dairy industry is that in its various FTAs the EU is ‘clawing back’ terms that are widely used and recognised amongst consumers. The main threat is then for Australian exporters who might be denied the right to use certain terms, but included in third party agreements in major export countries (Handler 2004). This is particularly more problematic if the term has become generic or descriptive. It would require Australian producers to rebrand their products, and indeed re-educate consumers, involving high costs and a waste of resources invested in previous marketing campaigns. It effectively amounts to a re-allocation of markets not through competition but through administrative ‘fiat’.

The dairy industry is particularly concerned that increasing GI protection would be inappropriate and would create uncertainty in the industry, causing potential harm to some large scale producers (for example, most parmesan production is in the US rather than Italy), and to consumers. They believe that this would benefit a small European group of regional producers only, even though the reputation of the cheese does not result from the marketing efforts of those producers. The GI Expert Group, which includes Australian and New Zealand industry lobby groups made their voice heard during the negotiations between the EU and Japan. They stressed that the drawbacks would be particularly significant for Japanese consumers who often simply have the choice between ‘Japanese’ or ‘imported’ cheese. The IP Expert Group including Australia, the UK and Canada listed their key points of concern and conditions which include avoiding registration of generic terms, ensuring that GIs can lapse and not protecting terms in translation (Respondent #12).

However, one can also consider rebranding as a potentially profitable investment for the future (Addor et al. 2003; Allaire 2003; Babcock 2003). An interviewee who is prominent in the Australian dairy export industry considered New Zealand an example where many companies have successfully rebranded cheese names. He concluded that his company ‘could follow this solution’ (Respondent #6). A leader of an important livestock company also recognised that the idea for Australia to create a Parmesan style cheese with a new name might be sustainable in the long-term. He concluded:

It takes time to build a brand but consumers are interested in what is new. If you tell the story about where it is from, people really take interest in it, and will try the product. (Respondent #14)

In short, we understood that if a state wants to complete any trade agreement with the EU, the implementation of sui generis GI legislation, or at least some system of special protection for enumerated European GIs, is virtually a sine qua non (or essential condition). This Report takes into account this preliminary insight, and also what has transpired in some of our Asian export jurisdictions, either through European influence or local policy analysis, and focusses on legal and

² See letter from MOTIE to Jan Adams dated 24 mars 2014 available on DFAT’s website (DFAT 2016).
technical options available for Australia. Relevant in this regard is a point made by a leading Australian meat exporter in China, following the conclusion we also made in our previous report that:

Australia is pre-empted all the time by EU but at the same time as we can’t beat them so join them. (Respondent #14)

We aim to determine whether this is still an accurate conclusion. However, this first requires analysis of the present situation in relation to GIs in the various jurisdictions this Report considers. Such analysis is also relevant to the question whether, even without inclusion on some putative future negotiated list of protected GIs, Australian provenance brands can obtain adequate protection in the export markets we consider.

We deal with Australia first: as we point out above, protection of a provenance brand as a GI or collective trade mark in an export jurisdiction depends on the pre-existence of an Australian registration. We then consider the situation in China and in Japan. Those jurisdictions are significant agricultural export markets for Australian products, where the trend towards value-added consumer-oriented exports of Australian food products will play out. They also present instructive characteristics in terms of the maturity of the food markets; consumer trends and tendencies; and development of the legal system as a whole. As pointed out above, both jurisdictions have relatively recently adopted sui generis GI registration systems for domestic provenance brands, and have also negotiated with other countries in relation to reciprocal GI protection.

Practical and financial constraints did not allow more detailed investigation in other Asian agricultural export markets for this Report. However, there are some important analogies between China and Japan and some of our other Asian markets. Thus South Korea, Malaysia, Singapore, Thailand and Indonesia have all adopted legislation to protect geographical indications. In South Korea GIs have been protected as collective marks under the Trademark Act (as amended by Act No. 7290) since July 1, 2005. South Korea also entered into a FTA with the EU and exchanged a list of 160 GIs from the EU protected in Korea and 64 GIs from Korea protected in the EU. Singapore has protected geographical indications by virtue of the Geographical Indications Act (Cap. 117B), in force from January 15, 1999, with varying levels of protection for wine and non-wine products, but without a registration requirement. It has entered into the EU – Singapore FTA of 29 June 2015 which contains very detailed provisions and an exchange of lists of protected terms (EC 2013). Malaysia passed the Geographical Indications Act 2000 (Act 602), and the Geographical Indication Regulation (13 August 2001). The system entered into force on 15 August 2001. Registration is optional and a registered geographical indication is given 10 years of protection from the date of filling an application and is renewable every 10 years. There is no FTA between Malaysia and the EU but negotiations are underway (EC 2016). Thailand protects GIs by way of the Act on Protection of Geographical Indications B. E. 2546 of 2003, which entered into force on 28 April 2004. It provides a higher level of protection for GIs for specific goods (wines, spirits and rice). Negotiations are ongoing with the EU but no FTA has been entered into as yet. Finally and importantly, given the very substantial level of agricultural trade (Indonesia receives a substantial portion of Australia’s agricultural commodity exports, valued at more than US$1 billion annually (Austrade 2016), Indonesia protects GIs by virtue of Law No. 15 of 2001 about Trademarks, Chapter VII, which provides Protection for GIs and Sources of Origin. It grants the same level of GI protection as in the EU, including protection against the use of a GI with expressions such as ‘style’, ‘type’, ‘method’, ‘manner’, ‘imitation’, or translations of these expressions. Rights are permanently vested with legal protection as long as the character and quality of goods that form the basis for protection are still current.
6. Provenance Brand Protection in Australia, China and Japan

6.1 Australia

Like the US, Australia supports the minimalist position on GIs (O’Connor 2014). In international diplomacy Australia generally rejects the GI sui generis system, advocating reliance on other legal mechanisms to protect the brand value of high end agricultural production without the drawbacks often associated with GIs. In order to determine whether a sui generis GI registration system for all foodstuffs could nonetheless benefit Australia, this Report first identifies the other legal options available for provenance brand protection.

6.1.1 Standard trade marks

A simple geographical name is usually descriptive or ‘generic’ and trade mark registration is therefore unavailable. The philosophy underpinning this outcome is that other producers should have a right to use the geographical name, which simply describes the origin of their products, or their place of business. An individual owner should not be able to monopolise a descriptive term. However, Australian practice tends to be less strict regarding the registration of place names as standard trade marks (van Caenegem 2015; Productivity Commission 2016). Although no detailed comparative study has been undertaken to date, this tendency to lower the standard trade mark distinctiveness requirement appears to be typically Australian. Indeed, many jurisdictions including the US, the UK, and Japan, have expressly implemented a lower standard of distinctiveness for certification or collective trade marks that include place names (see below for the Japanese regional collective trade mark, for instance).

Originally, trade mark law prohibited the registration of place names per se, unless the place name was genuinely distinctive (that is, non-descriptive of origin) in itself (van Caenegem et al. 2015a). The geographical name was registrable as a trade mark only if fanciful or if the place name was embellished, surrounded by device elements or used in addition to one or several other term(s). Thus, the requirement was that some inherent characteristic should provide a distinctive character to the trade mark. The judicial interpretation of this requirement was strict (see Oxford University Press v Registrar of Trade Marks (1990) 24 FCR 251). The principle was that if other companies or producers might want to use the place name in good faith in connection with their goods they should not be prevented or restrained from doing so.

However, in accordance with the WTO/TRIPS obligations, the Trade Marks Act 1995 abandoned the absolute prohibition of registration of inherently descriptive place names as trade marks (Addor & Grazioli 2002). Any applicant is now able to register a place name as such if they can prove that the name has acquired sufficient distinctiveness by trade (‘Bega’ for cheese is a good example). The question whether other producers would want to use the place name in a legitimate manner is no longer absolutely determinative.

As previously noted, a place name totally out of context in relation to the goods for which it is registered (North Pole Bananas), obscure, fanciful, embellished, or used in addition with another term or device, can still be registered as a trade mark. The level of evidence proving distinctiveness amongst consumers required by the TMO will be lower if the place name is fanciful or used with additional term(s) or embellishments, than if the application is for the name per se. The multiplicity of trade marks incorporating the term ‘Byron Bay’ is evidence of how relaxed the standard of proof is (for example TM No. 1136375 Byron Bay Chocolate Company; No. 158167 Byron Bay Coffee Company).
The trade mark owner has exclusive rights to use the trade mark and authorise other persons to use it (Section 20 TMA). However, the owner has only exclusive right in the trade mark as registered and will not be able to prevent another person from using the place name only to describe the origin of its good or in a different representation. For example, the owner of ‘Byron Bay Chocolate Company’ will not be able to prevent the use of ‘Chocolate from Byron Bay’ by another chocolate company and a surf company from Byron Bay which registered Byron Bay with a background of a surfboard would not be able to prevent another applicant from registering or using Byron bay with a background of breaking waves.

Further, an applicant can have a trade mark registered only if it is not scandalous or its use is not contrary to the law (Section 42 TMA). This means that the trade mark does not breach the Australian Consumer Law, including its prohibition on misleading and deceptive conduct. Additionally, intersecting with the prohibition in section 18 of the Australian Consumer Law and the law of passing off, section 43 TMA requires that the trade mark does not have a connotation which is likely to deceive or cause confusion. Naturally, a trade mark which, by including a place name, induces the consumer to think that the good originates or has at least a connection with an area will be considered as deceptive or confusing if no such connection in fact exists. This would be especially the case if the area is well-known for the production of those kinds of products and if consumers know that this kind of product from a specific area has a special reputation. The registrar can impose an endorsement or a condition on the registration that the trade mark should only be used in respect of goods produced in the area. This is commonly the case with wine-related marks that include a place name. The endorsement might require an indication of the proper place of production, or manufacturing of the goods concerned. However, one may question how the average consumer is actually able to distinguish these subtle differences adopted by practice, and does not simply think that the product comes from the place name adopted in the trade mark registration, despite the additional information (Handler 2015a; 2015b).

Generally, Australian courts are not very strict when determining whether the consumer might be misled or confused by a registered trade mark. For instance, in the Bavaria Case, the Judge after having examined the potential reasoning processes of a beer drinker, held ‘I am not satisfied that the consumer would associate the trade mark with the State in Germany or that it has characteristics attributable to a Bavarian origin’ (Bavaria NV v Bayerischer Brauerbund eV [2009] FCA 428 (30 April 2009)). Rather, a consumer would think of the term as indicating some place somewhere in Europe, which would be satisfactory in terms of the law.

Thus, in as far as the formal prohibition has been abolished and the condition that nobody else should legitimately expect to be able to use the name has been relaxed, it has become easier to obtain registration of place names as trade marks in principle. Because little evidence of acquired distinctiveness is required by the TMO, registration of marks including place names has also become a common practice.

A detrimental consequence of this approach is a tendency towards privatisation of place names, which arguably should remain in the public domain and free of the encumbrance of private trade mark registrations. Indeed, even if exclusive use only extends to the exact trade mark as registered by the applicant, it is very uncertain whether a competitor would be able to justify use of the place name incorporated based on good faith. At the very least the existence of the registered trade mark would have a chilling effect on competitors who want to describe place or origin and product (van Caenegem et al. 2015a).

The Australian practice of an easy and open registration of place names as standard trade marks appears to be inconsistent with the international jurisprudential trend, although, as we indicated above, further research is required to determine this with absolute confidence (Ayu 2006). In contrast with Australia, other jurisdictions maintain a higher standard of distinctiveness for standard trade marks, but tend to protect provenance brands by expressly prescribing a lower standard of distinctiveness for regional collective trade marks (as in Japan and China, see further below); or
regional certification trade marks (as in the US and the UK). The lower standard set for these specific categories of marks permit geographical indications to be registered as a special category of trade marks (some countries also provide for sui generis GI registration). We will see that this lower distinctiveness approach does not exist for collective or certification trade marks in Australia. Instead, the particular interpretation of the distinctiveness standard has resulted in an over-utilisation of standard trade marks to protect provenance brands. In policy terms and in terms of international benchmarks this is regrettable.

6.1.2 Certification and collective trade marks

A certification trade mark is a special category of trade mark which does not indicate that the trade marked goods originate with a specific registered owner but rather operates to distinguish certified goods from non-certified goods. A certification trade mark is private property. The owner of the certification trade mark, or another person approved by this person assesses and approves the quality and accuracy regarding origin, mode of manufacture or material and so forth (Section 169 TMA). A certification trade mark can provide a real marketing advantage, especially when consumers have become familiar with the mark and associate it with a desirable quality or standard. This potentially crucial effect explains why the certified product must meet specific requirements and rules which must be listed with the application (ACCC 2016a).

The process of registration is basically the same as for a standard trade mark. Businesses must file their application with the Register of Trade Marks (IP Australia) including the rules governing the use of the certification trade mark. Once the registrar has examined and noted compliance with the general trade mark requirements, the application may be sent to the Australian Competition and Consumer Commission (ACCC) for consideration and examination, including for compliance with competition law rules (ACCC 2016).

The registration of a geographical name as a certification trade mark might thus be possible, in particular for the purpose of certifying that products originate in that particular place (Stern 2001). Indeed, Australia often argues that the certification trade mark system is the specific means put in place to comply with the obligations under the TRIPS agreement to protect GIs for wine. However, the registration of a geographical name as a certification trade mark might practically be difficult due to the distinctiveness requirement which applies without modification to certification trade marks. Section 177 (to be read with section 169) of the TMA provides that the certification trade mark should be capable of distinguishing goods or services certified by the applicant or an approved certifier from goods or services not so certified. Thus although the function of a certification trade mark is different, the standard of distinctiveness required is not. A place name as such will rarely be able to meet that standard, as it will not allow certification to be distinguished from simple description of the place of origin (Handler 2015a; 2015b).

Put differently, it would be unfair and against public policy to allow a private certification trade mark owner to monopolise the function of indicating that a product emanates from a particular location. Thus it makes sense that the distinctiveness level required is the same for both certification and standard trade marks; the differences between the two categories of marks lie in the distinct purpose served by each.

The registration of a collective trade mark could be an alternative to legally protect a place name without an unfair and unacceptable monopolisation of the term by a single private interest or individual. A collective trade mark indicates that the marked goods have been produced or processed or otherwise passed through the hands of a member of a particular association and is also subject to competition control from the ACCC (van Caenegem 2015; Blakeney 2014). Section 163 TMA refers to section 41, which provides that a trade mark should be distinctive. Therefore, the same standard

3 The fact that the products certified can belong to the owner of the certification trade mark is an Australian exception.
applies and the registration of a simply descriptive place name as such will present difficulties. However, here also a place name which is rendered distinctive by adding a fanciful or graphic element or additional terms, or which has acquired sufficient distinctiveness through use, should be able to be registered as a collective trade mark. The registration of a collective mark referring to a local association does not restrain others in the area from indicating the true origin of the goods or using the local place name as such in various different branding styles (Blakeney 2014). In any case the policy environment is different: in the case of a collective trade mark, the monopolisation of a place name does not appear as unfair since all members of the association should be able to use it. The crucial condition is that membership of the association is open on reasonable and fair terms to all relevant local producers.

However, a collective mark does not have the same positive quality indicator-effect that a certification trade mark or a registered GI has. No statutory provisions deal with the specific standards or requirements to be applied by the association and no type of quality control is required by the TMA. The mark need do no more than indicate that a member of the association has dealt with the product. Thus while the collective trade mark system would appear to be the most suitable alternative to registering a GI, it does not provide the quality control and quality assurance effect that is an inherent aspect of every relevant GI regime. Further, the certification trade mark regime as well as the collective trade mark system have a strong distinctiveness requirement which inhibits registration of geographical indications as such as a certification or collective trade mark. As indicated above, this situation has led many foreign jurisdictions to amend their trade mark laws to provide a specific lower standard of distinctiveness, allowing the registration of purely descriptive regional certification or collective marks. For example, in the US, section 2(e)(2), 15 U.S.C. §1052 (e)(2), prohibits the registration of primarily descriptive terms but specifically provides that the ‘indications of regional origin’ are expected and can be registrable under Section 4 of the Lanham Act, 15 U.S.C. §1054 (1946), despite the lack of distinctiveness (Kojo 2006).

In Australia, regrettably from a policy perspective (see above) the default position for many local producers has been to turn to the registration of a standard trade mark. Taking that reality, whether desirable or not, into account, the creation of a new hybrid trade mark (the regional collective trade mark as described above), risks confusing the legal landscape. In our opinion, the implementation of a proper registered GI system, as we already have for wine is the more sustainable solution. This would not result in unfair monopolisation as it allows every person complying with the origin rules and specifications to use the GI.

Further, the implementation of a GI system would overcome the uncertainty surrounding the registration of geographical names as trade marks due to lack of distinctiveness. The GI system also does not permit the usual trade mark exceptions and derogation such as generic use, use in good faith and in translation, and non-trade mark use. These limitations significantly diminish the protection of geographical names registered as trade marks.

### 6.1.3 Wine GIs in Australia

The EU winemakers have always been assertive about protecting their GIs in foreign countries including Australia, which originally largely used names with EU origins in a generic manner. Prior to the establishment of the Australian wine GI register, a certain number of European wine GIs were registered as certification marks (Stern 2001).

The **Australian – EU Wine Agreement 1994** amended the **Australian Wine and Brandy Corporation Act, 1980 (CTh) (Wine Act)**. The main purpose of the Agreement was to allow import and export of wine between Australia and the EU and to regulate the trade. The EU aimed to be able to register and thus protect EU wine GIs in Australia and pushed for the establishment of a sui generis GI system for wine in order to do so (Josling 2006). The Agreement also provided for reciprocal protection of Australian wine GIs in the EU. Since then, various further agreements, including the latest **Australia – European Community Agreement on Trade in Wine** which commenced on 1 September 2010, have
updated rules for the trade between the two countries including provisions on GIs (EC 2010). This latest agreement aims to protect Australian winemakers’ access to the export markets in Europe with a simplification of labelling requirements, blending rules, and recognition of Australian wine making techniques by the EU, and the protection of 112 new Australian wines in the European market. In return, the EU saw some additional GIs protected in Australia.

A wine GI is an indication which identifies a wine as originating in the territory, 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 (see Section 4 Wine Australia Corporation Act 1980 (Cth) 4). The Act lists organisations that may apply for a GI as well as specifying that a winemaker or grower of grapes may make an application. The Australian Wine and Brandy Corporation Amendment Act 1993 established a Geographical Indications Committee (GIC), which makes determinations about Australian GIs. The Administrative Appeals Tribunal (AAT) can review the decision, and a further appeal lies with the Federal Court (Beringer Blass Wine Estates Limited v Geographical Indications Committee [2002] FCAFC 295 (20 September 2002)). The GIC may determine a GI of its own initiative. Detailed criteria for determining a GI are prescribed (Wine Australia 2010). The Wine Australia Corporation Regulations 1981 (Cth) provide a list of criteria to be taken into consideration when determining the potential registration of a GI, including the history of the area, the existence of nature features, the boundaries of the area, and so forth (Edmond 2006).

GIs represent a radically different policy approach than private registration by an individual trade mark owner. The GI system provides a strong protection and enforcement regime with a strict prohibition on use in any form. The usual trade marks exceptions do not apply to a GI (including good faith representation and indication of the actual place of origin; see below). Liability does not depend on evidence of misrepresentation or evidence that the use misleads consumers. Consequently, any non-compliant use of a registered GI is an infringement which merits the grant of a remedy (Comité Interprofessionnel des Vins Côtes de Provence v Stuart Alexander Bryce [1996] FCA 742 (23 August 1996)). Compared to the trade marks enforcement regime, GI infringement is simpler to establish in legal terms and less onerous to prove, with fewer avenues of defence open to the impugned party (van Caenegem 2003a; 2003b). A GI is by its very nature descriptive of an actual area, and registration is thus not dependent on the establishment of distinctiveness as for a trade mark (see above). A GI is not subject to a use requirement as is a standard trade mark and cannot become generic. Further, no other company or individual should be able to obtain trade mark registration for a mark incorporating a registered GI, for any goods or services.

This strong and broad protection against the use by any other is explained by the necessity to protect the reputation that results from the high quality standard of a registered GI against free-riding. The high level of protection correlates with observance of the strict requirements that are conditions and specifications for the legitimate use of a GI (van Caenegem 2003a; 2003b).

However, the Australian system for wine does not impose quality requirements or specifications over and above rules of origin (Dawson 2000). The use of a GI is not conditional upon the method of production, neither the colour, style or varietal, nor any other specifications concerning the nature of the wine. In that respect the Australian GI system is very different from the model employed in Europe, and its functioning as a quality guarantee is concomitantly reduced. The applicable condition is straightforward: the Australian Grape and Wine Authority Regulations 1981 Section 21 (2) (c) provides that a producer can use a GI registered in Australia if at least 85% or 850ml/L has been obtained from grapes grown in the said region in Australia. Further, the said area is determined on the basis of statute and while this should at least partially provide a certain homogeneity to the wines allowed to use the GI, the geographical extent and variability of many of the wine GI areas have been criticised. The downside of the absence of detailed specifications (as exist in Europe) is that free-riders within the area can take advantage of the investment of a small pool of producers who try to improve the quality of their wine, by legally using the GI to promote their lower quality products. However, as noted in van Caenegem et al. (2015a), this threat has been counterbalanced by social and voluntary mechanisms such as supports, incentive through prizes, tasting circles, and so forth.
The European PDO (protected designation of origin) system provides that in order to use the registered GI, products must comply with specific requirements (‘specifications’ or ‘cahiers des charges’). The Commission Implementing Regulation (EU) No 670/2011 of 12 July 2011 amending Regulation (EC) No 607/2009 provides detailed rules regarding the designation of a GI and presentation of wine sector products. The French Appellation d’Origine Contrôlée (AOC) legislation also requires identification of various facets including matters such as grape varieties, level of alcohol and production techniques. Although the Australian system has been implemented to satisfy EU’s requirements, the adaptation of the EU system a minima (or to a minimal extent) by Australia means that it is doubtful that an Australian wine GI actually corresponds with the definition of the term found in TRIPS. The latter requires that the product reflect the special qualities of the area of origin, which can arguably only be established satisfactorily if specific production regimes are imposed. However, Australia’s philosophy of free competition, flexibility of land use, the will to improve innovation and facilitate high volume production, can explain the flexible and therefore more tenuous system adopted. The Australian wine industry seems to have taken advantage of this flexible and simple system without a disproportionate cost burden falling upon the government (see van Caenegem et al. 2015a). The system further provides welcome legal certainty over the boundary of a given wine area which must be described accurately in the Register of Protected GIs.

Importantly for the purposes of this Report, the bilateral agreement with the EU is a proven pathway to reciprocal protection and an example for Australia to follow if it wants to protect GIs in important foreign export markets, such as China. Australia is already in a position to seek such protection by negotiation in relation to wine GIs; if this country extended GI registration to other foodstuffs and beverages, the opportunity would arise in the wider agricultural export context as well.

6.2 China

The Chinese legal environment involves complexity. Three legal procedures with different institutions, including the General Administration of Quality, Supervision, Inspection and Quarantine (AQSIQ), State Administration for Industry and Commerce (SAIC) and Ministry of Agriculture (MOA) are, at least in theory, available to parties seeking to protect a GI in China. The lack of communication between the institutions, the overlapping responsibilities and absence of transparency we predicted from our desktop research have been confirmed by our interviewees, both Chinese and foreign nationals (Wang, Kireeva 2014). The subtle and multifarious Chinese regime does not make the registration of a GI easier, especially for a foreign GI owner seeking to take advantage of it.

World Trade Organisation signatories are required to implement legislation in order to protect GIs in their jurisdiction, although at varying levels for wine and non-wine products (Bashaw 2008). However, signatory states are free to choose the legal vehicle they implement in order to comply with this obligation. China became a member of the WTO on 11 December 2001, after 15 years of negotiation and shortly after demonstrated its intention of complying with its obligations through the implementation of various IP laws (Esther 2009).

China is a country traditionally rich in locally branded products (Respondent #18). China’s geographic diversity has led to the development of a wide variety of products in all its territories (Liu et al. 2016). Chinese consumers are traditionally interested in and knowledgeable about the geographic origin of their food (Respondents #15, #25). The most relevant example is the significant price difference between types of rice and teas according to geographical origin, and corresponding Chinese consumption habits. One interviewee who specialises in agribusiness raised this point:

The Chinese often buy the tea produced locally and would stick with this consumption habit all their life. (Respondent #15)

China began protecting GIs in 1983 (Trademark Law of the People's Republic of China) and implemented a certification or collective trade mark law in order to protect GIs in 1993 (Wallet 2012).
However, pressured to do so by the EU, China also implemented a sui generis system (see further below). There is also a separate system applying to raw or unprocessed foods.

6.2.1 Protection of GIs under the Trade Mark Law

Similar to the definition provided in international agreements (see Article 22.A TRIPS, and Article 2 of the Lisbon Agreement for the Protection of Appellations of Origin), the Chinese trade mark law defines a GI (we use the term GI here in a broad sense, not in the sense of a place name registered under a sui generis GI registration law only) as a sign which ‘identifies a particular good as originating in a region, where a given quality, reputation or other characteristic of the goods is essentially attributable to its natural or human factors’ (see Article 16(2) Trademark Law of the People’s Republic of China (‘Trade Mark Law’). Article 10 of the Trade Mark Law expressly provides that a place of origin can be registered as a certification or a collective mark rather than as a standard trade mark. The applicant has to provide the registry with documents which state the characteristics of the product, the natural and human elements and the correlation between these elements and the product, the area of the GI as well as the regulations to be respected in the future and evidence that the GI requirements are being adhered to (see Article 13 Regulations for the Implementation of Trademark Law (‘the Regulations’) and Article 4 of the Measures for the Registration and Administration of Collective Marks and Certification Marks (‘Measures’) issued by SAIC on April 17, 2003).

The applicant may choose between registration as a certification or a collective trade mark. The main difference is that on the one hand, where a GI is registered as a certification trade mark, anyone who complies with the requirements may then obtain the right to use the trade mark (Wang, Kireeva 2014). The certifying organisation must allow compliant use. On the other hand, a collective trade mark is registered by a body such as an association or organisation. If a legal person or organisation wants to use a GI registered as a collective trade mark, it must become a member of the association which owns the GI. Nonetheless, the use of the GI registered as a collective trade mark by anyone who complies with the requirements should not be prohibited (see Article 6 of the Regulations). Therefore the collective trade mark has become something more akin to a certification trade mark. Legal practitioners interviewed recognised the lack of strict boundaries between both systems and as a consequence the resulting uncertainty (Respondents #16, #22).

While it seems that both systems could be used to register a GI as a trade mark, a leading IP practitioner stressed that a GI should normally be registered as a collective trade mark rather than a certification trade mark (Respondent #22). The same interviewee stated that the choice between the two systems was made according to how the organisation was set up. The interviewee finally noted that while compliance with all requirements needs to be tested for a certification trade mark application, it is a different matter for collective trade marks, as access to the association of producers is subject to examination by the association of compliance with the requirements. An interviewee who is Secretary General of a well-known Chinese GI tea registered as a collective trade mark, explained that quality control by the organisation can be exercised through lectures which aim to improve awareness as well as regular visits to individual producers, in order to make sure the production respects the established requirements (Respondent #17).

In both cases, the GI is granted if no opposition is filed within three months at the trade mark office. The trade mark will then be published, and will provide the owner with exclusive right of use for a period of ten years (renewable) (see Article 33 Trade mark Law). Article 10 in fine (in the last paragraph of the Article) of the Trade Mark Law and Article 6 of the Regulations expressly provides that geographical indications can be registered as collective or certification trade marks rather than as a standard trade mark. We understand that the lower standard of distinctiveness required for certification and collective trade mark results in the potential registration of a geographical name as a certification or collective trade mark.
The protection of a certification and collective trade mark and a standard trade mark are similar. Chinese officials interviewed stressed that 'a collective or certification trade mark is a trade mark and the trade mark legislation fully applies' (Respondent #26). This means that the certification or collective trade mark is subject to all the normal exceptions and derogations. More specifically, the trade mark owner cannot prevent another producer from using in good faith the same name in a purely descriptive and honest manner (Article 59 Trade mark Law). This is a major and significant difference with the sui generis GIs (see further Section 6.2.2), which benefit from a stronger legal protection and are not subject to any exceptions.

The institution in charge of granting trade marks including certification and collective trade marks in China is the China Trade Mark Office (CTMO), within the SAIC, which is a merger of the Central Bureau of Private Enterprises and the Central Administration of Industry and Commerce.

### 6.2.2 Registration of foreign GIs under the Trade Mark Law

Under the national treatment principle, a foreign GI can be registered as a collective or certification trade mark in China (Article 6 Measures). The application shall be filed ‘in accordance with any agreement concluded between the People’s Republic of China and the country to which the applicant belongs, or according to the international treaty to which both countries are parties or on the basis of the principle of reciprocity’. The application must be made with the help of an agent or an organisation appointed by the Chinese government (Article 18 Trade Mark Law). This latter condition may have considerable consequences for a potential Australian applicant.

The conditions for registration are the same as those imposed upon a local applicant including the use of the Chinese language (Article 8 of the Regulations). Further, the foreign applicant has to prove the protection by registration as a GI or a certification or collective trade mark in the country of origin. Although some doubt may still exist, the conclusion we can draw adhering to our Chinese official interviewees’ point of view is that the Chinese agency does not check the foreign application itself and accepts that the product is registered as a GI (that is, a PDO; see further below) or a certification trade mark (Respondent #26). This is an interesting observation for Australian exporters. Indeed, the principal way for Australia to comply with the TRIPS agreement is to register place names as certification trade marks which serve to indicate that the good complies with certain quality standards or characteristics, including potentially origin (van Caenegem et al. 2015a).

It appears that a domestic certification trade mark will be considered as a relevant registration on the basis of which protection could be granted in China if an Australian owner sought to obtain registration there. However, two main issues may still arise which could prevent Australian exporters from registering their certification trade mark with SAIC in China. Firstly, there are few certification trade marks registered in Australia which include only a place name as they are often considered as generic. However, without the registration of the GI as a trade mark in the country of origin, the GI will not be accepted for trade mark registration under the SAIC regime in China.

Eighty-three foreign GIs have been registered as certification or collective trade marks. According to an expert EU interviewee ‘a lot of other foreign GIs’ would be registered as ‘standard trade marks’. He also explained that this option is not necessarily the easiest for European GIs due to the demanding application requirements (Respondent #18).

### 6.2.3 Enforcement of a GI registered as a collective or certification trade mark

In the words of one interviewee, ‘even if China is trying to improve by having a more reliable system, there is still a real enforcement issue’ (Respondent #21). The enforcement regime is outlined in Article 60 of the Trade Mark Law, which provides that if a trade mark is infringed, the applicant may either start legal proceedings or resolve the matter following an administrative procedure.
Most applicants will choose the administrative track, which is shorter and less complex. Our interviewees agreed that to pursue smaller targets, the administrative procedure should definitely be selected, whereas the court option should be preferred for bigger targets or when the applicant wants to obtain a landmark decision that could have an impact on future trade mark law (Respondents #18, #26, #28). The judicial process is also appropriate in cases that fall short of simple piracy – for example, where there are some differences between the registered mark and the impugned mark, which a court must evaluate.

The trade mark law empowers the administrative authorities to investigate, order the infringer to cease the infringing activity, confiscate, pay a fine and also to destroy the infringing products (Articles 62, 63, 64 of the Trade Mark Law). There are different levels of administrative authorities in charge of enforcement. The headquarters are in Beijing and all provinces and cities have jurisdiction for day-to-day trade mark enforcement (Respondent #22). The local authorities are not able to grant the trade mark registration but can enforce the right and help the applicant to apply to the centralised office (Respondent #16). One of our interviewees described the regime as having a ‘centralised management and decentralised enforcement’ (Respondent #17).

All our interviewees agreed that the enforcement procedure was relatively efficient and that both local and foreign applicants could actually rely on it. Long established court practice has resulted in a certain level of consistency and transparency, which benefits all applicants. The establishment of the first Chinese Courts specialising in IP in 2013 also might have facilitated the consistency and transparency of the procedure.

While some interviewees have highlighted local protectionism, State intervention can be expected in issues involving freedom of speech and other political questions such as the standing of the Party (Respondent #21); corruption does not seem to be a real issue for trade mark enforcement in general (Respondent #18). A Chinese legal practitioner however pointed out that a trade mark is a private right and the case must be brought by the IP right owner. Thus, the onus of proof is on the applicant to prove the merits of their case. The lawyer must ‘prepare evidence well in advance in order for the court to even look at your case. It asks a lot of legal effort but that’s the only way for your case to be examined’ (Respondent #16). The evidence must be prepared to a very high standard of certainty and reliability, often involving the services of a notary public to certify authenticity of documents and so forth, as evidence of proof.

Thus, the trade mark owner can rely both on relatively efficient administrative mechanisms and on court systems to enforce rights. An obvious conclusion reinforced also by comments from various interviewees is that Australian companies doing business in China should start with registering their marks with SAIC. An early registration might prevent bad faith trade mark applications relating to foreign GIs; this is something the wine registrar in Australia is concerned about and acts to prevent through the employment of a local trade mark agent (Respondent #31).

Next we examine whether the same conclusion can be drawn for GIs registered through the AQSIQ system, which is modelled on the sui generis (unique) European GI system.

### 6.2.4 Protection under the GI sui generis system

The implementation of a sui generis GI system with AQSIQ was the default option for the EU. One of the experts we interviewed explained that the EU and especially France first tried to work with SAIC. However, due to SAIC’s refusal to collaborate and to accept the sui generis system, the EU shifted their endeavours to another institution, AQSIQ, which was willing to work toward the implementation of the proposed new system (Respondent #25). The same interviewee explained that France even provided equipment and staff in order to help China implement the sui generis system based on the EU model. At the same time, China was engaged in discussions with the US which was pushing for protection of GI through trade mark law (that is, SAIC) and China also amended that law in order to enable the protection of GIs through certification and collective trade marks (see previous section).
In 1999, the former State Administration of Quality and Technical Supervision, which has since been incorporated with the State Administration for Entry Inspection and Quarantine to become the General Administration of Quality, Supervision, Inspection and Quarantine (AQSIQ), implemented the first designation of origin system. It was only on 16 May 2005 that China implemented the decree Provisions for the Protection of Products of Geographical Indication (in force on 15 July 2005), which is clearly a transplantation of the EU system. The definition as ‘products that originate from a particular geographical region with the quality, reputation or other characteristics substantially attributable to the natural and human factors of the region, and denominated with the name of the region upon examination and approval’, differs from the one provided in the trade mark law and is not dissimilar to the definition provided by the EU legislation (Article 5 Regulation (EU) No 1151/2012 of the European Parliament and the Council of 21 November 2012 on Quality Schemes for Agricultural Products and Foodstuffs).

The application for GI registration is examined and eventually granted by AQSIQ. With 19 departments under its authority, AQSIQ is in charge of national quality, metrology, entry-exit commodity inspection, entry-exit health quarantine, entry-exit animal and plant quarantine, import-export food safety, certification and accreditation, standardization, as well as administrative law-enforcement (see IP Key, Q&A Manual: China Legislation on Geographical Indications, 2011). AQSIQ is the main contact between China and foreign countries for all negotiations regarding GIs. An EU expert very involved in the negotiations even called AQSIQ ‘the main partner for EU negotiations’ (Respondent #18). The diversity of AQSIQ’s jurisdiction and portfolio prompted another interviewee to describe AQSIQ as a ‘super ministry’ (Respondent #21).

This diversity of responsibilities has its drawbacks. AQSIQ is more known for its quality and supervision roles than for the role it plays within the GI system. This has resulted in a relatively low profile for its GI registration activities; the doubt and uncertainty of some of our interviewees was surprising. A lawyer practitioner affirmed, ‘in China, we don’t have a GI system’ and that ‘AQSIQ has more to do with the product itself rather than the name’ (Respondent #22). This lack of awareness of the AQSIQ role in relation to GIs is however counterbalanced by the comment of another interviewee who affirmed that ‘consumers tend to recognise more the GI logo; they have true confidence in it. The trade mark logo appears on some products but is not as recognised’ (Respondent #25). The number of GIs registered through the AQSIQ system is also large (the number of GIs registered is 1192 according to our interviewees, Respondents #18 and #25).

Contrary to the approach to registration as a trade mark within the SAIC system, the registration of a GI product follows a two level procedure with local authorities are extensively involved. The application must be filed with the local AQSIC representative authority. This authority issues an initial opinion, and will then transfer the application with the relevant documents to the central AQSIQ offices (Article 12 of the Provisions for the Protection of Products of Geographical Indication) (‘the Provisions’). AQSIQ then examines the application with an expert committee’s assistance. If no objection is filed (and upheld) within the opposition period of two months, the GI right might be granted.

The evidence of protection under the AQSIQ system is the affixing of AQSIQ’s logo on the products. All our interviewees agreed that the logo gives to the product a positive ‘flagship’, ‘government stamp’ of approval and is an ‘insurance of a quality product’ (Respondents #17, #23). In the words of another interviewee, ‘Chinese consumers need stamp of approval from objective judges’. The logo is one of them (Respondent #15). As a quality, supervision and quarantine institution, AQSIQ also naturally plays an important and direct role with Customs, which assists with protecting GIs (Respondent #25).

Importantly, the AQSIQ registration and stamp of approval is considered far more of a government guarantee concerning the origins and characteristics of a product than is a trade mark (Xu 2006).
6.2.5 Lessons from the AQSIQ system

Thus the GI logo gives a quality guarantee to Chinese consumers that trade marks cannot provide. With rising incomes and growing food concerns after recent scandals (such as the baby formula deaths in 2008, increasing awareness of fake products), Chinese consumers are becoming more and more concerned with the origin and quality of their food. Therefore, the fact that the State stands behind the product and affirms origin and quality is highly regarded by consumers. Although the logo is said to be well-known to consumers, the system of AQSIQ registration of a GI seems less well established amongst legal practitioners and producers alike (Rahman 2016). Further, AQSIQ’s involvement, effectiveness and credibility in implementing the GI system is not as obvious, and a major issue is the enforcement procedure (Wang, Kireeva 2014). Whereas the trade mark system seems to have efficient enforcement procedures available to the GI owners under SAIC, the AQSIQ enforcement system remains uncertain.

The local departments of AQSIQ are in charge of enforcement, which is only administrative, as there is no judicial process available for AQSIQ GIs. Local authorities have extensive powers of investigation, supervision and administration. They can decide to remove the registration from the product, publish announcements to this effect and even impose penalties in case of a violation of the provisions of the Act (Articles 21, 22, 23, 24). However, the experts interviewed agreed and confirmed that these provisions were never actually used or implemented (Respondents #19, #23, #24). A European official with a lot of experience with GI enforcement in China explained that most often products are registered as a collective or certification trade mark and that the GI owners bring the case to court on the grounds of a trade mark law infringement. He concluded:

The government could potentially intervene as (the brand) is registered as a GI as well but this is usually not worth it and the only decent response is to use collective TM law. This choice shows the lack of enforcement regime for GI. (Respondent #23)

Thus, despite the fact that in principle, a main positive effect of a GI would be to have governmental co-operation to enforce GI rights against counterfeiters, the current system does not generally allow this in China as the enforcement mechanisms appear to be lacking. However, the same interviewee spoke about some movement in AQSIQ toward an enhancement of the enforcement regime. The Cognac brand, registered as a GI only due to France’s policy advocating for sui generis protection only, has had successes with AQSIQ enforcement. This might nonetheless be a singular case, based on the strong relationships between GI owners supported by the French government and the Chinese government, rather than a systemic approach that is more broadly applied. Further, we also learned that the interest of local authorities in enforcing AQSIQ registered GIs is variable and may depend on factors such as the level of local investment engaged in by the GI owner, and ties with local government officials.

The registration of foreign GIs through the AQSIQ system appears not to be fully resolved. Article 26 of the Provisions for the Protection of Products of Geographical Indication provides that AQSIQ shall accept the applications for registrations of foreign geographical indications. However, this provision cannot be applied as the necessary implementation measures have not yet been promulgated. One legal practitioner explained with irony, ‘AQSIQ has just done some things to show that they were taking their obligations seriously’, without any proper legal consequences (Respondent #16). All our interviewees agreed that if an individual foreign GI owner wants to protect their right in China, the only option available is to register it as a collective or certification trade mark (Respondents #16, #19, #25, #26). Otherwise the only method is by way of bilateral state-to-state negotiation and inclusion on a list of reciprocal protection GIs.

However, some exceptional cases seem to indicate that AQSIQ has already taken some steps toward the registration of foreign GIs. On 16 December 2009, AQSIQ approved the registration of Cognac followed by the registration of Scotch whisky on 9 October 2010. The Comité Champagne and Nappa Valley also succeeded in having their foreign GIs registered by AQSIQ (IPR 2012, Comité champagne 2013). These three cases have resulted from several years of negotiations between the
Chinese authorities and the organisations of producers, often supported by the local governments (Respondent #16). They do not enable us to generalise about the potential for registration of foreign GIs and only show the case-by-case approach followed by AQSIQ and stress that the registration of foreign GI is possible only with a ‘high profile government to government strategy’ (Respondent #16). Again, this does not amount to evidence of a systematic approach supported by defined processes and procedures, but highlights the ad hoc nature of successful registration of foreign GIs under AQSIQ to date. However, it appears that the situation is changing, as the next section indicates.

6.2.6 The future of the AQSIQ system

New implementation measures were expected and predicted by some of our interviewees (Respondents #18, #22). Indeed, the Measures on the Protection of Foreign Geographical Indications Products were issued by AQSIQ on 28 March 2016 and have recently been translated into English. They provide details on the definition of a foreign GI, the application process, and empower AQSIQ and the subsequent authorities at different levels. The new regulation provides some welcome transparency within the system. Accordingly, Article 18 provides relevant information regarding technical examination, which should ‘consist of meeting examination and necessary production place verification, with which the applicant shall cooperate. The technical examination expert team shall consist of 5 or 7 members’. Further, AQSIQ is required to publish information on the protection of foreign GIs (Article 29 Measures on the Protection of Foreign Geographical Indications Products). However, Article 6 which provides that ‘originating country or region (where the GI is originally registered) shall have established the corresponding communicative and co-operative relationship with China’ makes it doubtful whether the application is really open to individual foreign applicants. If this is not the case, these regulations won’t really change anything compared to the existing practices.

Indeed, after intense EU pressure, the EU and China implemented a pilot project in 2007, which aimed to ensure the protection of 10 EU GIs in China and 10 Chinese GIs in the EU under sui generis systems (EC 2012). A new project is currently being examined by both parties, to include an exchange of lists of 100 GIs for each party. A European expert interviewee explained that this project was naive and showed EU pressures as ‘China does not even have 100 GI products that are being exported in EU’ (Respondent #23). Further, the same expert, who was joined by his Chinese counterparts, stressed that the agreement only facilitates the registration and puts the products listed on a ‘fast track’ which does not preclude examination of all the statutory requirements by Chinese authorities (Respondents #23, #26) (McCormick & Olsen 2014).

Finally, the implications of these international experiences for Australia are highly significant, in that it is only countries with a sui generis GI system which will be able to obtain sui generis AQSIQ registration in China. If, as one interviewee asserts, ‘China is always improving and is currently following the EU’, then we can infer that the AQSIQ enforcement regime will also improve now that new regulations regarding GI enforcement have been issued (Respondent #23). However, Australian products exported to China will not be able to be registered and will lose the opportunity to offer Chinese consumers products with the quality control stamp. Australian food exporters will not be able to benefit from Chinese government collaboration regarding actions against counterfeiters. In summary, in the words of one interviewee:

It is truly important that Australia implements a GI system. GI protection in Australia is weaker than the one offered by the sui generis legislation in China. So, China hopes that Australia will improve the protection for GIs, i.e., to offer objective, stronger protection to GIs so that reciprocity could be achieved between China and Australia. (Respondent #29)

6.2.7 The GI sui generis system of the Ministry of Agriculture

On 25 December 2007, the Ministry of Agriculture saw the potential from the new GI regime implemented by AQSIQ and also implemented the Measures for Administration of Geographical Indications of Agricultural Products. This system is subsidiary to the two others and is used only for
raw agricultural products. The Ministry of Agriculture (MOA) examines applications presented by
organisations of farmers and grants the GI right if the applicant satisfies the conditions provided by
Article 9 of Measures for the Administration of Geographical Indications of Agricultural Products
(Bashaw 2008).

This GI protection is basically the same as the AQSIQ one as it is also based on the EU protection.
There are 1792 GIs registered under this regime but the overlapping is such that one interviewee
explained, ‘nobody knows about this regime. We have more a dual system. The general opinion is that
the MOA system could be cancelled’ (Respondent #25).

6.3 Japan

6.3.1 A country receptive to provenance brand protection

Japan was ripe for the implementation of a sui generis GI system, which occurred recently. With a
rich and varied geographical environment and four distinctive seasons, many food products would
have been eligible for registration as GIs. Many localities have long pursued a local provenance
branding strategy centred on a signatory food or dish, even before the implementation of the GI
regime (Kimura 2015). Foodstuffs are very often produced locally in Japan and a traditional policy is
for the Japanese government to promote local agriculture by providing support to co-operative
organisations (Respondent #5). A point made by some of our interviewees involved in social and
economic studies of the GI system in Japan was that, contrary to Australian consumers who are more
interested in the cheapest products, Japanese citizens are very concerned with where the product has
been produced as they associate this with perceived quality. The Japanese would always choose a
local product over a product from another prefecture (Respondent #10).

Food tours have been developed considerably over the last few years and Japan is hoping that the new
provenance brand protection regime would also lead foreign tourists to participate in order to discover
traditional and locally sourced products. The importance of the food culture can be illustrated by the
recognition by UNESCO of ‘Washoku’ as an Intangible cultural heritage of Humanity to be
protected. Washoku is a comprehensive social practice connected to events (such as the Japanese New
Year Eve), which involves a strong and traditional practice and the use of locally sourced ingredients
(Unesco 2016). A more contemporary example is the development of Kitkat varieties involving local
products to create original tastes. Examples include Amao strawberries KitKat from Fukuoka
Prefecture, Uji Green Tea Kitkat (Uji is in the southern outskirts of the city of Kyoto), and finally the
’special edition’, the Hokkaido melon Kitkat (mixed with mascarpone cheese) flavour. The latter
melon is also registered as a GI.

Moreover, some regions have long developed their own certification of provenance system and were
then more than ready to welcome the new GI regime. Kofu city and Koshu city are two examples of
cities which developed ‘city brands’ that aim to protect local production of wine and food. The main
reason for these certification initiatives was to try to protect the products against food fraud and
counterfeiting in Japan and in export markets like China. We heard from interviewees about some
serious scandals of food being falsely advertised as local when it was actually imported and low
quality. This has been a particular issue with restaurant food – for example, in the beef industry
(cheap Indian beef being presented as Australian beef) (see Simkin 2002; Hayashi 2014). This
conduct has led to public apologies from hotels and restaurants. The memories were still strong in our
interviewees’ minds and Japan’s desire to prevent this from happening in the future can explain the
warm welcome for a strong provenance brands protection system (Respondents #5, #6, #10) (Venture
Japan 2016).

We will examine the two main systems for protecting GIs in Japan; the regional trade mark protection
based on the Trade Mark Act and the sui generis GI protection based on the Protection of the Names
of Specific Agricultural, Forestry, and Fishery Products and Foodstuffs Act which has been in place
since June 2015. Only a few foreign companies have taken advantage of the systems. One intention of
this report is to increase Australian and other non-Japanese companies’ ability to understand the Japanese system.

It should be noted that this report will not focus on the alcoholic beverage protection, which is dealt with by the *Securing Liquor Tax and Liquor Business Associations Act*. The Ministry of Finance has been concerned with the implementation of this Act since July 1995.

### 6.3.2 The regional collective trade mark: a tailored system

#### 6.3.2.1 Conditions of registration and access to foreign GIs

The implementation of a regional collective trade mark (RCTM) or ‘chiiki dantai shōhyō seido’ in Japan was the first step toward the implementation of an efficient provenance brand protection system. On 29 June 2005, Japan amended the trade mark law in order to allow co-operatives or other organisations to register a geographic term which is highly descriptive of the region. This means that the registration might be possible notwithstanding Article 3 of the Trade Mark Act No. 74 of 2006 (‘Trade Mark Act’) which prevents the registration of trade marks without distinctiveness. Most regional brands actually simply combine the name of the production region and the name of the product. A requirement is that the product must be produced in the area but this does not mean that specific features of the product must be related to the production area as is required for a registered GI. This RCTM is a special feature of Japanese law and can be seen as an exception to international trade mark jurisprudence which provides that no term simply descriptive of a region should be registered as a trade mark (Respondent #9).

We previously raised the fact that many farmers already started to produce typical local products. Yet, if an IP right did not protect the product, it may have lost its distinctiveness over time. As a global international principle, Japanese trade mark law had always prohibited the registration of a descriptive trade mark. Therefore, the Japan Patent Office (JPO) could refuse the registration as a trade mark of a geographical term which would have become generic because of an extensive use without legal protection. However, without such registration the applicant would not be able to fight free-riders and counterfeiting.

Further, as we have previously seen, the trade mark should be well-known amongst consumers to be registered as a regional collective trade mark. One can question why the well-known amongst consumers-test is national rather than simply regional. This has been considered as evidence of the rejection of regionalism by the JPO, despite the fact that the development of regionalism and local production was a main objective of the system (Port 2015).

It is important for Australian exporters to stress that the product must be well-known in Japan, and not in the region of origin. We learned that this requirement must be examined in light of elements such as the quantity of exports or advertising expenditure. If the foreign product is imported in large volumes into Japan and Japanese consumers can access a significant advertising campaign (being online or in Japan nationally), the condition might be satisfied (Respondent #5).

The trade mark law requires for the applicant organisation to be recognised and established by the law, irrespective of the form of incorporation. Courts have broadly interpreted the definition provided by the text of what is a ‘legal entity’ (Respondent #5) (see official booklet from JPO July 2016). Consequently, a foreign GI application, which is expressly admissible for a regional collective trade mark in Japan (see Article 7-2 Trade Mark Act), would only have to establish that the applicant is legally recognised in its country of origin. In Australia, it will be a co-operative, a company or an association (see further below).

The business legal entities might file an application directly with the JPO or using the Madrid System if Japan is designated as a country where the applicant seeks to protect a trade mark. After examination by the JPO and payment of the fees, the trade mark may be granted and a notification will be sent to the applicant. The co-operative (or other organisation) will then have the exclusive
right to use the trade mark. The co-operative should have established requirements or specifications, which need to be observed by all producers who aim to use the trade mark.

6.3.2.2 Evaluation of the system

The fact that the application cannot be filed individually generated some scepticism amongst commentators. If there is a reasonable group, which agrees on standards, it is relatively easy to file an application, but for regions without such a group, this would be if not impossible, then at least extremely hard (Respondent #3). However, co-operatives play an important role in gathering supportive evidence, developing and checking the quality of the product and the compliance of producers with all requirements. A too new or very weak co-operative might not be able to achieve these objectives (Mulgan 2000).

Another major matter expressed was more a moral issue:

A regional collective trade mark should be a common asset of the region and not belonging to a co-operative. The original objective of a regional collective trade mark is to help the region and it should be the only owner. (Respondent #8)

Implicit in this statement is that a state agency or local council should be the registrant of a RCTM. It may be that being able to monopolise the term formed by the addition of the geographical name with the product name can be unfair for other producers of the region who don’t comply with the requirements or are excluded from the co-operative. They should be able to indicate where they do business or their goods originate in fact. However, the trade mark Act itself expressly prevents such unfair consequences. Article 7-2 of the Trade Mark Act provides protection against the unfair exclusion of a producer who is ‘eligible to become a member’.

Further, the fact that a co-operative administers the mark rather than a government body is not likely to diminish the benefit that the system provides to the region. Indeed, the system assists small businesses as the investments required are made by the co-operative itself rather than small producers who lack the means to do so. The co-operative promotes and even sells the products of the different producers under a single trade mark. The JPO undertook a study in 2012 about the use of the RCTM. This survey tends to establish that the system is largely considered beneficial, for the products, the producers and the local economy. Consequently, and relying also on the knowledge imparted by our interviewees, the RCTM appears to achieve the goals laid down by the JPO, that is, ‘strengthening the bonds of a region and members; improving a brand consciousness; reducing damages caused by counterfeiting; advertising and improving the image of goods’ (JPO August 2016).

One main further benefit acknowledged by all interviewees is that as a trade mark is a private right, the trade mark owner will be able to enforce their right directly in court and receive compensation for the economic damage they have suffered, or obtain an injunction. We will see below that this is not the case if a GI is registered through the sui generis system: an administrative enforcement system does not normally allow for compensation or damages to be awarded.

These advantages must not be allowed to conceal the drawbacks of the system. Firstly, the traditional disadvantages of a trade mark must be taken into consideration. As is the case for a standard trade mark and the Chinese collective or certification trade mark a large number of exceptions (including the right to use the trade mark with good faith) may apply to a trade mark, which diminish protection. Therefore, a third party is able to indicate ‘made in X’ using the trade mark and the trade mark owner won’t be able to enforce their rights (Respondent #4). These exceptions don’t apply to a sui generis GI registered with the Ministry of Agriculture, Forestry and Fishery (MAFF) (see below).

Most importantly, the main problem with the RCTM system that the fieldwork enabled us to identify is the lack of real quality control. The trade mark law does not provide any specific measures to ensure that the producers actually follow the requirements originally provided by the co-operative. The lack of quality control measures can have a negative effect for the trade mark itself, and
eventually for the members of the group of producers. There is no external and independent organisation in charge of quality control such as the Institut national de l'origine et de la qualité (‘INAO’) in France and only the co-operative is responsible for checking compliance with the requirements by the members (Marie-Vivien 2012). This drawback was certainly a main incentive for MAFF to follow the EU system and implement a new sui generis GI model to protect provenance brands.

In conclusion, the regional collective trade mark system was already an advanced system and the protection is still considered as adequate. The number of registrations is still increasing (Respondent #5): there are currently 592 GIs registered as regional collective trade marks including some foreign GIs. A surprising finding obtained from several interviewees is that while an unprecedented interest can be noted from Japanese associations, and despite the fact that Japan is the 4th largest importer economy in the world with many food imports, only a few non-Japanese products have actually been registered as a RCTM. Most surprisingly, even Europe which is largely focussed on the protection of its GIs abroad, has not attempted to register any GIs as RCTMs, even when no other legal alternatives were available. The exception is the Prosciutto di Parma (an Italian ham), which has been successfully registered by the firm of one of our interviewees (Respondent #4) (Port 2015; Raustiala & Munzer 2007). While some might see this lack of registration as evidence of lack of interest from foreign GI owners, it is very likely that the explanation is rather a lack of understanding of the system. Further, some European GI owners are in principle opposed to registering a GI as a trade mark, preferring to promote the implementation of a sui generis system instead. The same interviewee (Respondent #4) however noted that as the purpose of the Act is to enhance Japanese agriculture, it is difficult for foreign GIs to be registered as RCTMs and that the registration of Prosciutto di Parma has been a real challenge (Respondent #4). Most famous Japanese brands were however registered as regional collective trade marks before the implementation of the GI sui generis regime. Various incentives that deserve investigation have prompted some of them to also register as a sui generis GI.

6.3.3 The implementation of a European model sui generis system

After much back-and-forth and animated debates in successive governments, the Act on Protection of the Names of Specific Agricultural, Forestry and Fishery Products and Foodstuffs (Act No. 84 of 2014) was passed by the Japanese Parliament and falls under the supervision of MAFF. It came into force on 1 June 2015 (see official GI booklet from MAFF).

Some of our interviewees stressed the fact that the new system has been implemented strategically in view of the negotiations of the TPP agreement which, as we have previously seen, goes against a broad protection of GIs (Respondent #4). Other interviewees preferred to see this act as a consequence of intense EU pressure (Respondents #3, #9).

In any event, the main objectives of the Act, articulated in Article 1, are dual: firstly to protect the producers’ interests with an adequate system to recognise and protect the IP rights of a specific geographical region, and to increase the value of the local product. Secondly, to improve authenticity and combat counterfeiting, which should safeguard demand for the legitimate product.

6.3.4 Conditions of registration of a sui generis GI

All products that are related to agriculture, forestry and fisheries, can be registered as a GI (Article 2 of the Act on Protection of the Names of Specific Agricultural, Forestry and Fishery Products and Foodstuffs (Act No. 84 of 2014)). While the interpretation is broad and includes edible or non-edible products, raw or processed foods (as long as the link between the quality and characteristics of the product and the area remains obvious), some specific requirements must be met for a product to be registered as a GI. Contrary to the RCTM, the product must originate from a specific area and must present quality, reputation or other characteristics which are attributable to this origin. Further, a condition of continuous production for 25 years was often stated by our interviewees. It appears that this condition is not directly provided by the GI Act but has been introduced in the MAFF’s Applicant
Guidelines, available only in Japanese (van Uytsel 2015). Many producers have seen this requirement as extreme and advocate for its elimination (Respondent #9).

As at July 2016, only 12 products have been registered as GI under this new regime, including fruits, vegetables, meat, rush, tatami, cereals preparation (uncooked ramen) and raw silk (MAFF 2016). The application can be filed by a group of producers of a region (which should not impose any unfair conditions or reject the application of legitimate candidates). Very often, the organisation will be a co-operative. Contrary to Australia, where many co-operatives were abandoned or failed to adapt to the new agricultural landscape in the 1980s, most Japanese farmers still gather in co-operatives. The Japan Agricultural co-operative (JA) (which is an overarching organisation with many local branches) has been expanding rapidly and is now a very large and powerful organisation with lobbying influence. While all our interviewees recognised the importance of the JA for agriculture, some tended to criticise the monopoly they have on the market (Respondent #10). However, the ability of the JA to collectively represent farmers’ interests is one of its strengths (see further below) (Godo 2014).

The JA applicant must satisfy conditions and file documents stipulating the name and address of the organisation, place of production, classification and characteristics of the products, link between the characteristics, quality and the area, the methods that must be observed to be able to use the GI stamp, the quality standard, quality control, and so on. This extensive level of bureaucratic requirements for a GI registration caused some interviewees to comment negatively on the system:

The requirements are so heavy that the system is not attractive for producers who are not willing to make the effort for something that might not even have any direct positive economic effect for them. (Respondent #5)

Further, the official application fee is ¥90000 (US$1138) and the registration also involves attorney fees which are much higher than fees for a trade mark, due to the complexity and the vast amount of documents to prepare (Respondents #4, #5) (see official document from MAFF). However, when we pointed out this fact to MAFF officials, they replied that they hope that the products will be seen as high end and high value and that the price will consequently increase. This counterbalances the costs of the application process. The system should also open doors to exports markets, eventually increasing producers’ income (Respondent #11). The comment of the same interviewee sums up the situation:

The Japan GI system is based on the EU system and Japan is clearly hoping for the same effect, on the export markets and locally. (Respondent #11)

The application is received by MAFF which has to make the application and the relevant documents available on its website in order to allow written opinions and oppositions (for a period of three months)(Article 8 Act on Protection of the Names of Specific Agricultural, Forestry and Fishery Products and Foodstuffs). MAFF will also obtain the opinion of experts regarding the application. The expert panel is composed of academics, lawyers, and members of the private sector including two of our interviewees (Respondents #9, #10). MAFF takes into account the expert panel’s opinion as well as public submissions in order to determine whether the GI should be registered or not. Article 13 of the GI Act provides the list of elements that can potentially lead to a rejection.

We illustrate this section with information derived from an interview undertaken with a group of JA members, producers of a newly registered GI. Preliminarily, MAFF verifies the nature of the product (whether it is an agricultural, forestry and fishery product or foodstuff). MAFF can then reject an application based on the character of the group of producers. We have seen previously that the association of producers must obey any order of MAFF to accept another member and must not have rejected any legitimate candidate in order to be eligible to register its GI. Our interviewees from a small rural co-operative involved in vegetable growing, explained that in their case, the producers have been gathering and producing the products for more than 50 years. The association includes 30 farmers linked by, if not family, at least a very strong community spirit. Regarding the inclusion of
other producers, our interviewees highlighted two important facts. On one hand, the co-operative really wants to maintain the quality of the products and they reported many cases of producers who have been either invited to leave the association or who have decided for themselves to resign:

Some producers left the association because it was too hard to stay in. They were getting penalised all the time. But thanks to that, there are strong requirements and the quality is very high. (Respondent #13)

On the other hand, we learned that the producers are also calling for new entrants. Japan has to face a similar problem as Australia, a lack of interest from young people in agricultural activities and a consequently aging group of farmers. In order to tackle the problem and boost production to allow exports (they can at the moment barely satisfy local production), and increase incomes for farmers, the JA is trying to attract and educate farmers producing locally, even from outside the existing area. ‘As far as they comply with the requirements, they are more than welcome’ commented a farmer respondent (Respondent #13).

Further, MAFF verifies that the association instigated methods of production and quality control that are up to standard. While the group of producers actually verifies compliance with specifications themselves, MAFF monitors the production process, management and quality control standards. The farmers have often adopted the production methods over long periods of time, and our interviewees explained that the farmers in the group had accumulated knowledge and know-how, which is shared amongst members but otherwise kept secret (farmers used to keep ‘used to keep records of shared knowledge but now refrain from doing so to prevent any bad faith copying or theft).

Regarding quality control, two measures are implemented. First, all producers visit each other’s farms and assess the area, the soil, the production before making a collective decision regarding the timing of the harvest and potential exclusions. They will then check each box individually (the colour, scarring, size of the product, and so on). A penalty system also exists for those who violate the requirements (Article 13 Act on Protection of the Names of Specific Agricultural, Forestry and Fishery Products and Foodstuffs). The association must also check that all members have financial capacity to sustainably comply with the requirements. While outsourcing of auditing to external organisations is possible, there are no independent organisations and this outsourcing choice does not seem to be common (Respondent #11).

MAFF also has to verify that the name sought to be registered is not generic nor identical or similar to a registered trade mark, except if the applicant is the trade mark owner or has been authorised by them. We understand that these techniques operate efficiently in relation to the farmers we interviewed. However, it is doubtful that such a system of intense supervision of each other’s farms and products is possible if the GI was produced not by just 30 farms and 20 hectares but throughout an entire region, as is the case of some European products. In this case, an independent institution, such as the INAO in France might be a better and more reasonable option for quality inspection.

If MAFF considers that all conditions are achieved, the GI right will be granted, the owner will be notified and the registration published in order to inform the public. The co-operative will have to notify MAFF of any changes, which could result in an amendment of the GI under MAFF supervision (Article 15 Act on Protection of the Names of Specific Agricultural, Forestry and Fishery Products and Foodstuffs).

### 6.3.5 Use of the GI

The members of the association have an exclusive right to use the GI for the products registered only and not for any like or similar products. If members are using the GI for other similar products, MAFF might cancel the registration (Article 22 Act on Protection of the Names of Specific Agricultural, Forestry and Fishery Products and Foodstuffs). In the example of our interviewees, they made clear that the same members of the co-operative were producing both products covered by a GI and other similar products. The former are high end quality products, they
are more mature (55 days before harvest rather than 45 days), bigger and apparently better, whereas the latter are more like ‘normal products’ that are sold in the supermarkets for a lower price and without the specific indication.

Affixing the GI logo on the product indicates that the GI has been registered. This is not only a right but it is compulsory for producers (Respondent #4). This obligation should actually be considered as a real benefit for GI owners. First, it can prevent misuse and counterfeiting, especially in export countries, requiring the counterfeiters to engage in greater effort and incur greater risks in copying. Further, the presence of the logo also proves to consumers that the quality of the product has been recognised and will continue to be controlled by MAFF. There is an official stamp of approval for the product.

Further, the legal protection of GIs is broader than trade mark protection. We saw earlier (see previous section) that all the trade mark exceptions do not apply to a GI. Prohibitions include the use of the same indication but also use of similar indications, name, and an indication of the real geographical origin.

**6.3.6 Enforcement regime**

MAFF is the key institution for the enforcement of a GI. The GI Act grants the ministry broad powers. The misuse can be either reported by a person (Article 25 Act on Protection of the Names of Specific Agricultural, Forestry and Fishery Products and Foodstuffs) or discovered ex officio by MAFF through the on-site inspections in business offices, factories or other facilities (Article 24).

If there is a GI infringement, MAFF will issue an administrative order to prevent continuation of the wrongdoing (Article 5 Act on Protection of the Names of Specific Agricultural, Forestry and Fishery Products and Foodstuffs). However, if the order is not followed, penal sanctions may apply to the person who does not comply (up to five years’ imprisonment and/or a fine to up to ¥5 million). These measures have not yet been put in place at the level of regulations and normally producers will comply with the administrative order. The representative of the legal entity committing the wrongdoing may also be punished on behalf of the organisation.

The system appears to be working, as MAFF monitors behaviour and issues administrative orders. This could especially be applauded taking into consideration the fact that, according to the legal expert interviewed, Japan is not a ‘litigator country’ (Respondent #11). The interviewee added that:

> Citizens expect the government to defend their rights, they feel more secure with this system. (Respondent #11)

This is obviously a positive for small or medium producers who would not have the ability to sue by themselves. However, the fact that it is the government that is checking, judging the wrongdoing and eventually punishing it can be a source of difficulty. Some of our interviewees criticised the reaction speed and inconsistency of MAFF’s responses:

> The government has promoted the system they now need to follow up with enforcement. (Respondent #4)

The main criticism from our interviewees was that the enforcement by MAFF is actually limited. Indeed, contrary to what exists in Europe, no civil action is available based on the GI system. The consequence is that no civil remedies exist to compensate the damage caused by the misuse of GI (even though a GI owner could still use the unfair competition law and, if their GI is also registered as a trade mark, could use the trade mark law to get remedies). This is why the JPO recommends registering the GI as a trade mark as well as a sui generis GI, in order to use the private right to bring private action (Respondent #7). Some have said that the lack of civil remedies is not reconcilable with the TRIPS agreements signed by Japan, which oblige signatory countries to provide civil remedies.
against GI infringement. However, as such civil remedies are available via the RCTM system, the GI requirements have been implemented.\(^4\)

Finally, the remedy for wrongful use of a foreign GI should be available if mutual GI protection has been implemented by country to country agreement. This has been seen as a potential way to battle the counterfeiting of Japanese products in China. Japan is hoping that thanks to the collaboration of governments that the GI sui generis system accommodates, counterfeiting will decrease. Further, as the protection can be accomplished by bilateral agreement an applicant will not have to register a GI in each foreign country where the product is exported (Respondent #4).

Despite the few uncertainties of this very young system, the GI sui generis protection regime was positively anticipated by practitioners, officials and producers. They hope that the system will increase Japanese exports and will eventually help Japanese local economies and industries, as well as enhance producers’ ‘self-respect, self-pride and confidence’ (Respondent #10).

### 6.4 Implication of Foreign and Supra-National Law

Consumers in both China and Japan are traditionally interested in the regional provenance of food products. More recently this interest has translated into a general policy to protect consumers against inaccurate and fraudulent references to geographical origin. The general law against misrepresentations in commerce is not considered sufficient and both the trade mark system and sui generis GI protection has recently been introduced. In particular both countries permit the registration of certification/collective marks for regional food products and also allow registration of GIs in accordance with a sui generis system based on the European model (Gangjee 2007).

This two-track approach is entirely absent in Australia and in that regard this jurisdiction is at odds with the approach in some of its major export markets for agricultural goods. In particular, the principle of trade marks law that requires that a mark be distinctive to be registered stands in the way of registration of a geographical term (that is, marks consisting of a place name, or place name plus product) as a collective or certification mark. In China and Japan (as in some other countries) the legislator has expressly dealt with this consideration by lowering the standard of distinctiveness for such marks. Australia has not taken this approach. Counter-intuitively however, this country has applied a low level of distinctiveness to registration as a standard mark, so that it is relatively easy for private parties to obtain exclusive rights over brands that in China and Japan would be registered as regional collective marks (or certification marks). Obviously Australia has not introduced a sui generis GI registration system for food products other than wine (van Caenegem et al. 2014).

In terms of obtaining protection for Australian provenance brands (excluding standard trade marks from that class) in countries such as China and Japan, this places local food exporters at a significant disadvantage, because obtaining protection for a foreign provenance brand as a collective trade mark or sui generis GI requires a domestic registration as such in the country of origin. If Australian producers want the protection of the trade mark system or the higher level of protection afforded to GIs in the relevant export markets, their only option at present is to obtain a collective or certification mark – but this will not be easy and there are very few such registrations for place names in Australia.

There are two possible solutions to this problem: first, to extend the sui generis GI regime that we already have for wines to also include other food and beverages; and secondly, to modify the law applicable to collective and certification trade marks for regional brands. There are some drawbacks to the latter approach: first, as a matter of principle there is little sense in having a category of trade marks

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\(^4\) Draft Act on Protection on the Names of Specific Agricultural, Forestry and Fishery Products and Foodstuffs AIPPI vol 59 No.7, P .7 and 18 (Japanese) as commented upon by Testuya Imamura (2016).
marks that are not distinctive; in the case of certification and collective marks this approach would allow one private party to monopolise the place name at the expense of all other producers who simply wish to indicate the true place of origin of their goods. Secondly, Australia already has a low standard of distinctiveness for trade marks, and to introduce a variation of the standard for certification and collective trade marks would generate confusion in the system. There would also be inconsistency between wine and other food products generated, in that GIs would be available and preferred for wine but a regional trade mark for other foods. Further, in terms of the potential to acquire GI protection in China and Japan, this requires a GI registration in the domestic market, and not a certification or collective trade mark. If there are advantages in the higher level of GI protection in those export jurisdictions, which we argue is the case, then these would be forgone by choosing the regional trade mark option. Also, government to government reciprocal agreements are not possible for certification or collective marks but are available for true GIs.

Taking these arguments together it would appear that there is an argument in favour of extending the GI registration system in Australia from wines to include all food for human consumption.
7. Technical Solutions Versus Legal Solutions: Brand Protection and Authentication

Counterfeiting in Asian jurisdictions and particularly in China is a growing problem for Australian and other foreign companies (Zhang & Xue 2016, pp. 192-8). We include in the notion of counterfeiting both clear copies of goods, and direct IP violation as well as products which are deceptive through labelling and branding devices. The latter are often more subtle and therefore more difficult to detect. This issue has not left the agricultural sector unscathed. Food fraudsters often target Australian products by virtue of its green and clean image and Australia has had to intensify its efforts to stop the expanding counterfeiting industry (Spink 2011). This problem has significant consequences for Australia including a potential deterioration of foreign consumer confidence in Australian products and a worsening of Australia’s image abroad. Globally, counterfeiting can lead to significant safety issues in the countries where it takes place (Brereton et al., 2016).

The improvement of technologies and innovation is obvious when closer attention is given both to technological solutions of producers and corresponding counterfeiting techniques (Johnson 2014). Indeed, counterfeiting is a global and significant problem with recent changes involving industrial scale counterfeiting operations, the employment of the internet, and the professionalisation of fraudsters who are becoming increasingly sophisticated, cunning and alert to regulators’ countermeasures. When we asked our respondents the identity of the counterfeiters in their case, the diversity in responses was very surprising. A producer interviewed summarised:

It goes from opportunists who are just interested in getting money and don’t even try to copy properly, to some very clever counterfeiters who often sell online and copy the boxes almost perfectly.
(Respondent #2)

This profile diversity creates difficulty in finding specific targets and makes the fight against food fraud ever more challenging and ambitious. This is particularly the case in relation to internet based fraud, where access to the real perpetrators is even more difficult than in traditional distribution networks (Respondents #16, #20).

Further, counterfeiting techniques tend to vary according to the place of the counterfeiting and the motives of the fraudsters. On one hand, some might copy the original label, the production technique (for wine especially) or the trade marked name with a slight alteration so that the fraudulent act would not be considered as counterfeiting but could still mislead the average consumer. On the other hand, some counterfeiters choose to use the fruit box or the wine bottle after its contents have been consumed, and entirely replace the high value content with one of lower quality, often originating from another country and even of a different variety.

The methods of addressing this significant and growing issue also vary. Some producers for example, dramatically limit their exports to problematic jurisdictions. Blackmore Wagyu farmer for example publically announced that their products were largely pulled out of China (McAlloon 2014). The massive Chinese population and the development of an educated middle class, enthusiastic about Australia’s products and willingness to pay higher prices, is however an attractive and potentially major market for Australian producers. For this reason many of our interviewees had not even considered leaving the Chinese market, in spite of the food fraud they have experienced (Respondents #2, #14).

We heard a fairly consistent story that Australian exporters of foods (particularly of high value products) are relying on quite sophisticated self-help measures to protect against food fraud and counterfeiting. Our interviewees confirmed that currently, more effort is being expended by
Australian producers on novel technological solutions than on attempting to prosecute breaches of existing IP law. This tendency is not new; for many years, producers have developed techniques as diverse as a marker print on the sticker of apples, holograms, colour shifting ink, elaborate bottle tops and lids or labels and numbers on cryovac bags, for example. More sophisticated solutions are continually developing, including fluorescent tracer, which can be scanned; microchips in wine labels, and smartphone applications which aim to certify the authentication and history of the products bought by consumers (see, for example, Sentandreu & Sentandreu 2014).

In one example, we found that one producer of cherries based in Tasmania has chosen to tackle the problem by hiring a marketing specialist (Respondent #2). A specific marketing strategy involved putting in place QR codes on the product which should be scanned by consumers following their purchase in foreign markets. The consumers are taken to the producer’s website. Once there, the consumer is advised that the product is authentic. If a second attempt is made to scan and use the QR code, the website advises that the code has already been used, that a breach of their IP rights may have occurred, and that the consumer should investigate their purchase with the supplier. While this interviewee contracted a software company based in Tasmania in order to limit the costs, other companies have recently specialised in providing state-of-the-art technologies to producers.5 We have also been advised of several other producers who are also undertaking work in this area – particularly in the Adelaide Hills and Fleurieu Region of South Australia where exports of high value food and wine into China are increasing.

Many interviewees explained the choice to pursue self-help solutions rather than use the legal systems in target export markets because of scepticism about those legal systems, in terms of access, cost and effectiveness. This is particularly so in China. In the words of one interviewee:

Another counterfeiter will appear as soon as one disappears and the option is way too expansive for us. (Respondent #2)

The explanation for the scepticism of those we interviewed is twofold: first, the local protectionism and corruption in China for example, is seen to compromise, impair or be incompatible with a fair trial, through which to resolve the problem. Further, even if the case is actually won, there is a lack of clarity and surety around how that victory could be translated into efficient and relevant recovery for the producer (Zhang, Xue, 2016). Our in-country interviews confirmed that there might be real local protectionism in China (Respondent #18). However, respondents seem to expect China to improve over time and there was a sense that it has progressed in terms of IP enforcement. For example, we have seen that China has implemented new specialised IP Courts and focusses on transparency of justice and effectiveness (Schindler 2014).

As previously mentioned (see Section 6.2), two options exist for IP enforcement in China: the judicial track and the administrative track. The latter is particularly efficient, with local SAIC offices present in every province, able and often willing to help the GI owner with administrative enforcement. The former is also improving with increased collaboration with other jurisdictions involved in GI regulation, such as the collaboration between AQSIQ and the French government to fight the infringement of the Cognac GI.6 This points to an increasingly reliable regime that could and should be used by Australian producers. Importantly, interviewees (including legal scholars and regulatory officials) in China pointed out that despite the imperfection of the system, other foreign countries including EU member states, are taking advantage of the system and Australian producers are thus ‘missing out’ with such a mindset (Respondents #14, #18).

5 For example YPB is a provider of covert brand protection and security systems for Brand Owners in problematic countries such as China, see http://www.ypbsystems.com/about/.

6 The same relationship can be noted between the UK government and the Chinese government regarding the protection of Whisky (Schindler 2015).
Further, although the enforcement regime can be rife with challenges and uncertain, our respondents in China (particularly) felt it was absolutely crucial for Australian producers to develop a legal strategy for dealing with fraud – perhaps even before implementing technological means to protect their products – and that such actions would be best undertaken prior to entering the market. This proactivity, which requires long-term commitment and some upfront investment is necessary to counter the issue. As such, it forms the basis for one of our foremost recommendations for consideration.

The development of a legal strategy should include a systematic registration of Australian brands in the export countries, in order to prevent bad faith registration from competitors, which is common practice in China for example. Bad faith registrations can be described as the situation where an individual or a company registers a trade mark in the export country, often well-known in other countries, in order either to use the mark themselves and mislead consumers or ask the original owner to buy the right to use the trade mark (‘trade mark squatting’). While larger companies often have legal practitioners in-country, who aim to check these bad faith registrations and form systematic oppositions against them (Respondent #31), a proactive action, such as systematic in-country registrations would be more efficient and cost effective. The legal practitioners we interviewed stressed that Australians were particularly naïve to believe that, because their products may not have been exported yet or were not currently particularly well-known they would not be affected by bad faith registration of trade marks (Respondents #28, #31). The bad faith practices described here indicate that the ‘first comes first’ trade mark registration system (which is the applicable law in China, unlike in Australia) is a potential threat for any successful producer who intends at some point to export. While the practice is widespread, the tactics and motivations of pirates are not well-known and no cases were found where the trade mark registered was actually used. The proactive registration of trade marks is the only tool available to protect the brand (Respondent #31).

It is also important for brands to have some presence on the ground and that this presence be seen by pirates as well as consumers. This might involve special investigators whose role is to locate counterfeiters in the problematic countries. Indeed, while the presence of a notary public was originally enough to check and pursue counterfeiting, the development of e-commerce and online platforms makes it harder to track the actual source of counterfeiting. Despite this, legal practitioners interviewed explained that there are still ways to counter their actions, including using specific electronic means, for example tracing IP servers and targeting the warehouses of pirates (Respondent #22). Generally legal practice respondents emphasised the importance of proactive employment of capable and reliable investigators as well as respected lawyers.

With regard to the protection of GIs however, the Chinese Government’s active intervention in pursuing food fraud is relevant for GI enforcement in China. Recent successful examples, including the case of the Scotch Whisky Association against bottle caps bearing the words ‘Scotch Whisky’ (see Anqing Intermediate People’s Court 2015), Champagne (see Beijing Intermediate People’s Court 2014) and Cognac, suggest that AQSIQ is increasingly willing to protect foreign GIs registered in China (Schindler 2015).

This in itself presents an argument for the Australian government to introduce a domestic GI system for food and beverage other than wine, and to then encourage and support Australian producers registering their GIs in export countries, in order to be able to pursue en bloc protection for Australian GIs. Our interviewees stressed that this is critically important if producers are to capture the premiums attributable to provenance branded products of high value targeted at an increasingly discerning Chinese middle-class. To do so would empower producers (particularly SMEs) who may not necessarily have the resources to prosecute infringements to actually be able to enforce their IP rights. As previously mentioned, the burden of proof for prosecuting GI breaches is much less than for other forms of IP protection and the collective nature of a GI means that costs can be shared.
Our in-country fieldwork in China suggests that for companies to be more successful in protecting their provenance brands, investment in a legal strategy should, at the very least, be considered equally with self-help anti-counterfeiting measures, and supports the literature in this regard (see for example, Spink 2011). Doing so would also help to mitigate the rising costs associated with continually attempting to stay ahead of those engaging in food fraud. For example, the cherry producer we interviewed explained that the price paid to create different boxes (as each is copied) has constantly increased with the rise in counterfeiting and the constant necessary challenge of finding new technological solutions when the current one becomes compromised. This interviewee also advised that the production of the final packed product now involves three different factories for the box itself in addition to the specific software company contracted to produce electronic counterfeiting measures (Respondent #2). Further, we understand from the in-country interviews that the fraudsters inevitably ‘catch up’ with new technologies and that companies need to develop an almost yearly strategy in order to stay one step ahead of pirates for the next season. This involves considerable and ongoing investment, which is also inefficient in the long-term. While a legal protection strategy might involve a higher up-front investment, such investment is likely to be a one-off cost, and provide more durable protection in the longer-term.

Taking a long-term perspective and investing accordingly, is thus more likely to be a better and more sustainable strategy than the current ‘revolving door’ approach afforded by the sole use of self-help measures. Short-term thinking is also well illustrated by the current lack of investment in creating local brand protection mechanisms. While our fieldwork confirmed that consumer recognition of Australian regions or states was not yet well-developed in foreign markets there is certainly evidence of increasing interest by a more educated and discerning middle class of consumers for information about food origin, which has moved beyond simply ‘product of Australia’ to becoming a much more region-specific focus. Yet, producers have generally refused to invest in the development of a long-term and expansive ‘local branding strategy’. In the words of an interviewee:

Some importers know that Tasmanian fruits are the biggest and the best but Chinese consumers don’t know anything about Tasmania, that’s why we needed to focus on Australia and the traditional image Australia has abroad. (Respondent #2)

Here also, producers need to think more globally, and focus less on the short-term perspective of immediate returns. It is in their interests to develop a local provenance brand protection system now, rather than waiting until more nuanced recognition of Australia’s specific regions develops. This strategy, which can be pursued through the implementation of a GI sui generis system, would build exclusivity to a product and create a welcomed diversity in Australian and export countries food landscapes. While it is not yet too late for Australia to maximise the future opportunities to be gained by developing domestic provenance branding of specific regions, this window of opportunity to enhance the potential profits attached to high value provenance products is limited. The logical first step to do so, is to legally protect their products by effective means in Australia and from which position (for example, through the registration of the domestic GI in foreign jurisdictions) to protect them in export markets, in a proactive manner.
8. Conclusions: Farmers Moving Up The Value Chain

Australian agriculture has an enviable status in global terms. Our production environment is clean and green and regulatory standards are high in terms of food quality and safety. It is well-known that foreign consumers, in particular in Asian markets, regard Australian food products as safe and of high quality, and are prepared to pay a premium for our food products.

The Australian agricultural market is also not as distorted by subsidies and government support schemes as in many other jurisdictions. The uptake of technology and innovation is relatively high, as is the supporting research base both in the private and public sectors. However, the structural characteristics of the market for food products limit competition and mean that farmers are domestic price-takers more than price-makers. The supermarket chains are dominant and market power in distribution and wholesaling is also very concentrated, as we have documented in van Caenegem et al. (2015b). Monopsony pressure applies in particular to the small and medium sized farmers who still make up the bulk of agricultural production in Australia.

This report has focussed on two ways in which Australian farmers can improve farm-gate returns in these conditions and adopt alternatives to consolidation and vertical integration. One is increased collaboration between farmers; and the second is moving from commodified production and competition in a market for undifferentiated products, to the production of value-added food products that are unique and recognisable as such by consumers. Effectively this means moving up the value chain to produce and process products that have their own brands through which farmers can connect directly with consumers. Collaboration between farmers in the form of co-operatives was an established aspect of Australian farming until the 1980s, when deregulation imposed an increased sense of individualism and hyper-competitiveness, that has tended to spill over to affect relationships between producers. However, we argue that a more efficient balance can be struck between competition and collaboration which delivers better returns to farmers and better food products for consumers.

Collaboration and branding are strategies which promise higher returns to farmers domestically, but also in international markets. A fast growing number of consumers in significant export markets are willing and able to pay a premium for recognisably Australian food products. To meet export contracts, we are seeing a greater need for farmers to collaborate to be able to assure consistent supply and quality, and to meet the additional cost burdens associated with the export trade (including transport, insurance and agent expenses for example).

In order to generate high quality agricultural products grown and/or processed at the local level, increased investment by farmers is required. Improved quality often means lower yields and processing requires investment in suitable facilities as does associated consumer-oriented packaging and promotion. Individual farmers might not command the necessary means, skills and resources, but if farmers in a region collaborate they can pool funds to afford the necessary investment and spread risk.

Further, if food production and packaging becomes more directly consumer-oriented, then an effective branding strategy is required to communicate the message to consumers. Where local farmers collaborate to produce high quality local products, a provenance branding strategy with a local or regional ‘back story’ makes rational sense.

However, in order to protect high value provenance brands against pirating and other fraudulent activities, developing comprehensive mechanisms to do so will be required. As we have documented, some producers have taken the path of using technological solutions such as holographic marks, QR
codes and increasingly complex markings on boxes. The challenge here however, is that such strategies tend to be short-lived in their efficacy and new remedies (almost on a seasonal basis) are required to be developed in order to stay ahead of the fraudsters. A more effective and longer-term solution will be required to additionally protect high value provenance brands. Such a solution may well be to support technological approaches with a legal framework and strategy which allows farmers to more effectively capture and protect the additional value they create. This is absolutely crucial, because there is much at stake (including reputation) if free-riders have free reign as they undermine the value of the investment in quality the farmers have made. The provenance branding strategy developed by collaborating local farmers clearly must be effective in overseas markets, to take advantage of the purchasing power of a growing category of consumers in Asian countries that have the discretionary income to afford high quality food products.

We can expect to see greater collaboration amongst Australian producers for the purpose of collective bargaining and pooling resources to mitigate costs. Indeed, the Agricultural Competitiveness White Paper (Commonwealth of Australia 2015) has strongly recommended that farmers develop greater systems of collaboration, and the recent commitment to developing greater awareness of the benefits of co-operatives and collective action supported by significant funding of a three-year education and action program in this regard attests to the national policy direction favouring collaboration. Where such collaboration drives the creation of greater returns and especially where such returns are derived from value-added products with high international provenance brand recognition, protecting these brands in those markets will be crucial.

In important markets such as China and Japan provenance brands are legally protected by way of two major systems: certification/collective regional trade marks; and registered GIs. To realise the value of their investment in high quality consumer-oriented food products, Australian farmers investing in high value products must be in a position to take advantage of these two protection systems.

Registration of foreign collective trade marks and GIs in China and Japan (taken as analogues for other Asian countries), legally requires an original Australian registration. The domestic registration must be as a certification mark or GI, and not as a standard trade mark. The difficulty for Australian farmers – and this is a critical point - is that a domestic GI register only exists for wine but nothing beyond. Therefore, there is no way to pre-register (by way of a GI) in Australia any other agricultural products for later protection under international GI registration systems. There are also very few certification and collective marks incorporating a place name registered in Australia because they generally lack the necessary level of distinctiveness.

Therefore to take full advantage of the opportunity that presents itself to producers to maximise returns through collaborating to produce high quality consumer-oriented products, changes are required to the domestic legal framework. Since trade marks law in Australia allows the registration of standard marks incorporating place names with relatively little distinctiveness (that is, on the basis of limited use), and there are many such registered brands which could also be registered as standard marks in the relevant export markets, we argue that modifications to the certification/collective trade mark system are not the optimal solution.

The preferred alternative is to introduce a GI registration system, or extend the existing wine system to accommodate GIs for all foods and beverages. We have argued elsewhere that GI registration can be a useful tool to advance rural development through collaboration around provenance brands. We further conclude through the current research that to protect such brands effectively in foreign markets is a critical aspect of realising the high value of Australian food products. It is essential protection against free-riding and dilution of local brand values. We also conclude that promoting Australian food products with reference to local or regional origin in such Asian markets makes sense because consumers there are historically well attuned to the importance of regional origin for their food products. While knowledge of Australian products is currently somewhat limited beyond ‘product of Australia,’ there is a growing recognition of specific intra-national Australian places. Thus, the
manner in which Australian products will be promoted in the future as consumers become more sophisticated, will be by reference to more specific regional origins. Tourism to Australia from China and other Asian countries has increased exponentially so more consumers know about Australia’s rich variety in geography and agriculture. In any case consumers in China and Japan, and this is an important point, are habitually interested in the regional origin and character of foods. There is nothing new in learning more detail about the specific geographical origin of food – consumers are hungry for this type of information.

Introduction of GI registration for all food products will not only mean collaborating Australian farmers will be able to register and protect their brands more effectively in Asian markets either through the regional trade mark or the GI systems, it will also mean that Australian governments will be able to participate in the reciprocal GI protection mechanism that is developing in the region under European influence. Countries such as China and Japan are increasing their ability to protect foreign GIs domestically and obtain reciprocal protection for their GIs in foreign markets – to date principally in Europe. If GIs for food additional to wine were able to be registered in Australia, then Australia would be able to participate in such protections in a manner that it is currently not able to do so.

Through government to government processes, Australian GIs would be able to achieve registration in foreign markets in the longer-term, thus better ensuring the potential returns from investment by local farmer groups producing value-added consumer-oriented quality processed or raw foods. Australian agriculture and Australian products and producers have an enviable reputation in international markets. Responding to the growing sophistication of consumers seeking to know more about exactly where their food originates presents both an opportunity and a challenge for Australia. Part of that challenge lies in ensuring that we have strategies in place to promote, enhance and most importantly – to protect – the value of provenance brands and their growing recognition.
9. Future Options

9.1 Resources and Education

The need for greater collaboration amongst farmers has been recognised and addressed through the recently established ‘Farm Co-operatives and Collaboration’ Pilot Program. Farmers considering collaboration would benefit from the production of specialist information resources that clearly articulate the steps required to register standard trade marks, collective trade marks, certification marks and so forth, domestically and in target international markets, and which emphasise the importance of doing so.

There is a range of innovative and technological solutions that have been developed by individual producers. Raising awareness of these through industry bodies, producer groups and other forums would help to prepare new entrants to export markets. However, we emphasise that technological solutions should not be relied upon exclusively, but rather, be underpinned by the development of a fully formed legal strategy (see further option below).

9.2 Policy

There is a need for Australia to reconsider its position on the establishment of a domestic GI registration system for food and beverages other than wine. The capacity to register GIs in Australia will facilitate their registration and reciprocal protection in international markets. Value-added and regionally provenanced goods will be more difficult to protect against free-riding and other fraud (particularly in China) without access to GI registration in those markets, given recent international developments in GI reciprocity protection, from which Australia is currently excluded, by virtue of its continuing opposition to extending domestic GI registration.

9.3 Strategy

Producers of high value agricultural goods for export need to be made aware of the importance of a proactive legal strategy, and the basic components of such a strategy. Pooling of resources around a provenance brand allows smaller farm operators to establish an in-country presence in China and other significant markets and pursue a long-term strategy to secure high returns in the future.

The implementation of a domestic Australian GI register will not compromise Australia’s commitment to free trade and the minimisation of protectionism. The design of such a register must, however, be clear and unambiguous to mitigate any attempts by third parties (including the EU) to use such a register to ‘claw back’ terms currently used as registered GIs in those countries.
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Appendix No 1 – The Matrix

Why Collaborate?

The Agricultural Competitiveness White Paper has identified effective collaboration as a key factor in improving farm gate returns. Better understanding the collaborative vehicles that support collaboration will allow you to select the option for your group or potential group that will maximise your chances of success.

This material will provide you with information about different collaborative vehicles. The vehicle factsheets provided will allow your group or potential group to compare different structures. The initial checklist, and the factors included in each vehicle factsheet, will help you through this process.

There are many instances of farmers collaborating, for instance: data sharing, provenance branding, sharing asset costs and pooling personnel, negotiating more flexible contract arrangements, or responding to a market crisis (for instance the closure of a local processing plant). Farmers may collaborate with other farmers to market and/or process their product or with other entities in the value chain (e.g. processors, supermarkets). While others may join the process, this material focusses on the farmer’s side of collaboration: in particular, which collaborative vehicles can best support the different forms of collaboration.

Benefits of successful collaboration

- More bargaining power
- Value chain engagement
- Community benefits
- Improved economies of scale
- Sharing information and skills
- Lower transaction costs
<table>
<thead>
<tr>
<th><strong>More bargaining power</strong></th>
<th>Collaboration offers a group of farmers a stronger position to negotiate better terms with processors, wholesalers and retailers.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Value chain engagement</strong></td>
<td>Farmers can pool their resources to add processing and product diversification to their activities, achieving a stronger position in the value chain.</td>
</tr>
<tr>
<td><strong>Sharing information and skills</strong></td>
<td>Sharing farming and management practices encourages innovation and technology uptake. Pooling resources enables cost efficient acquisition of expertise and market intelligence.</td>
</tr>
<tr>
<td><strong>Lower transaction costs</strong></td>
<td>By negotiating a single contract on behalf of a group, farmers eliminate the time and expense of individually negotiated contracts.</td>
</tr>
<tr>
<td><strong>Improved economies of scale</strong></td>
<td>Collaborative farming generates economies of scale without losing the autonomy of individual farms.</td>
</tr>
<tr>
<td><strong>Community benefits</strong></td>
<td>Farmers working together in a region can generate community benefits and retain more of the value of farmed goods locally, benefitting other rural businesses.</td>
</tr>
</tbody>
</table>
What does the law say about collaboration?

Australian competition law (Competition and Consumer Act 2010 (Cth)) prohibits any group of competitors from collaborating to present a united front to a buyer of their product for the purpose of driving up the price or improving conditions (‘collusion’ or cartel conduct). The goal of the competition law is to maintain fair competition and prevent price inflation to the detriment of consumers.

However, there are many ways farmers can collaborate legally for the purpose of improving their bargaining position and other benefits. For example, small and medium-sized enterprises (SMEs), including farmers, can obtain approval from the Australian Competition and Consumer Commission (ACCC) to form a bargaining group for the purpose of negotiating contracts with processors, wholesalers and retailers. If the group does not control too much of the supply, approval is not difficult to obtain and is available through a relatively straight-forward process, supported by the ACCC.

Alternatively, farmers may choose to set up a single legal entity or a structure like a private company, a co-operative, a partnership, or an association.

What should you consider before collaborating?

There are many different legal options to underpin collaboration and they are explained below. However, all effective collaboration is based on the following five foundation elements:

1. A common purpose;
2. Relationships of trust;
3. Leadership and unity;
4. Engagement with the value chain; and
5. Management skill and expertise.

These questions are a guide to help your group reflect on its circumstances and consider whether to pursue collaboration. Tick the boxes if you answer ‘yes’ to the questions: the more ticks, the better your prospects of successful collaboration. Groups that answer ‘no’ to some questions can still be effective collaborators.

Each circumstance is unique and we recommend that you seek professional advice in addition to using this checklist and the factsheets to determine the most appropriate vehicle for your group.

1. A common purpose
   - Does your group agree on a clear goal?
   - Is every member of your group prepared to invest in pursuing long-term goals?
   - Do your group members have similar farm business models?
   - Do your group members produce reasonably homogenous products?

2. Relationships of trust
   - Does your group have a history of effective collaboration on other activities?
   - Do the members of your group share information openly?
   - Is there loyalty and commitment to the group and its aims?
3. Leadership and unity
   - Can your group agree on one or two individual/s to drive the actions of your group?
   - Can the proposed leader/s be persuasive and maintain unity in the group?
   - Will the proposed leader/s be transparent and communicative?

4. Engagement with the value chain
   - Does your group understand the value chain beyond the farm gate?
   - Is there a limited number of potential buyers of your product?
   - Are there considerable on-costs related to selling your product?

5. Management skill and expertise
   - Do any of your group members know how to translate broad strategies into operational plans?
   - Do you engage with a peak body or R&D corporation with access to expertise?

Now that you have completed this checklist, consider your options concerning the different vehicles you might use to underpin the activities of your group.
**What are your collaboration options?**

Farmers can collaborate in many different ways. This material focusses on supportive legal vehicles that underpin collaboration. The factsheets are divided into three sections: formal vehicles, informal vehicles and not-for-profit vehicles. This table provides a short description of each vehicle. They are considered in more detail in the factsheets.

<table>
<thead>
<tr>
<th>Vehicles</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorised collective bargaining group</td>
<td>A group of farmers that has obtained a notification or authorisation from the ACCC to improve their bargaining position in negotiations with a target retailer, wholesaler or processor.</td>
</tr>
<tr>
<td>Contractual networks and share farming</td>
<td>Collaboration can be based on a network of contracts between farmers in a group. They can take a particular recognised form such as a share farming agreement.</td>
</tr>
<tr>
<td>Partnership</td>
<td>The relationship existing between persons carrying on a business in common with a view to profit. Each partner contributes property, skill or labour. The partnership has no separate legal personality from its members and partners share both profit and losses.</td>
</tr>
<tr>
<td>Co-operative</td>
<td>A democratically run, farmer owned and financed vehicle that exists to meet the common needs of farmer members. Farmer members retain the ultimate power to make business decisions. Farmer members remain autonomous.</td>
</tr>
<tr>
<td>Co-operative-Lite</td>
<td>A Co-operative-Lite is a vehicle with the single purpose of bargaining with a buyer.</td>
</tr>
<tr>
<td>Modern co-operative</td>
<td>A modern co-operative is a fusion of co-operative and corporate principles. This is reflected in its composition, operations and access to equity capital.</td>
</tr>
<tr>
<td>Company</td>
<td>Companies are formed for the purpose of generating profits for their shareholders. They are tightly managed structures that usually employ professionals to run the business.</td>
</tr>
<tr>
<td>Not-for-profit structures</td>
<td>Incorporated associations and public companies limited by guarantee are separate legal entities established for purposes other than making a profit. They usually have social goals like information sharing and industry representation.</td>
</tr>
</tbody>
</table>
Collaborative Options Table

This table illustrates some of the basic characteristics of each vehicle. This will help you understand some important differences between them. The factsheets consider each vehicle in more detail.

<table>
<thead>
<tr>
<th>Section 1: Informal Vehicles</th>
<th>Section 2: Formal Vehicles</th>
<th>Section 3: Not-for-profit Vehicles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collective Bargaining</td>
<td>Co-operative</td>
<td>Incorporated Association</td>
</tr>
<tr>
<td>Contractual Network</td>
<td>Co-operative Lite</td>
<td>Non-Profit Company</td>
</tr>
<tr>
<td>Share Farming</td>
<td>Modern Co-operative</td>
<td></td>
</tr>
<tr>
<td>Partnership</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **High farmer autonomy**: ✓
- **Exclusively farmer owned**: ✓
- **Low cost registration**: ✓
- **Limited purpose**: ✓
- **Separate Legal Status**: ✓
- **Distributes profits/surplus**: ✓
- **Open/closed Membership**: ✓
- **Professional Management**: ✓
- **Low ongoing costs & reporting**: ✓
- **External investors possible**: ✓
**Factsheets at a glance**

Section 1: Informal Vehicles

Explores the informal legal structures that do not create a new legal entity, but facilitate smaller-scale or highly focussed collaboration.

**Factsheet 1: Authorised Collective Bargaining Group**

**Factsheet 2: Share Farming and Contractual Networks**

**Factsheet 3: Partnership**

Section 2: Formal Vehicles

Explores the formal legal structures that create a new legal entity separate from existing farming businesses.

**Factsheet 4: Co-operative**

**Factsheet 5: Co-operative-Lite**

**Factsheet 6: Modern Co-operative**

**Factsheet 7: Private Company**

Section 3: Not-for-Profit Vehicles

Explores the two key methods of non-profit legal structures and their unique position as collaborative vehicles.

**Factsheet 8: Incorporated Association**

**Factsheet 9: Public Company Limited by Guarantee**

**How to use the Factsheets**

These factsheets give a brief description of each vehicle. The more often your group ticks ‘yes’ to the factor questions on one particular factsheet, the more likely that vehicle is suitable for your purposes. Groups that tick ‘no’ to a small number of factors may nonetheless find that vehicle to be useful. To assist you in your evaluation, some context is provided after each factor.
Section 1: Informal Vehicles

Your collaboration may not require establishing a formal vehicle as a separate legal entity. It can be based on a collective bargaining authorisation/notification obtained by the group, on a network of contracts or on a partnership. Section 1 explains each of these informal vehicles in turn.

A collaborative bargaining group does not create a legal entity but, if authorised by the ACCC, operates as an exception to the Competition Law. A group of farmers may apply to the ACCC for permission to negotiate terms with the target, and conditions and limitations imposed on the collective bargaining are set out in the authorisation or notification issued.

The legal requirements for the formation of a contract are: that the parties are in agreement (express or implied); there is consideration (something in return); and that the contract is binding. Contracts should be in writing for the sake of certainty and clarity. They can be of varying levels of complexity and can bind multiple parties. Contracts with a particular form or purpose are traditionally used in agriculture, such as share farming arrangements, or exclusive supply contracts. Contracts can also form the links in a network of collaborating farmers.

A partnership does not have a separate legal personality from its partners. A partnership is a relationship between individuals operating a business together with a view to profit. The law does not require a written agreement. Each partner contributes property, skill or labour and is liable for the debts and legal obligations of the partnership.

The diagram below illustrates some of the key points of difference between the informal vehicles across:

<table>
<thead>
<tr>
<th>Focus</th>
<th>Focussed on collective bargaining</th>
<th>Focussed on coordination</th>
<th>Focussed on close collaboration</th>
<th>Focussed on value-adding and vertical integration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge</td>
<td>Requires limited value chain knowledge</td>
<td>Requires limited value chain knowledge</td>
<td>Requires some value chain knowledge</td>
<td>Requires greater value chain knowledge</td>
</tr>
<tr>
<td>Independence</td>
<td>Very independent</td>
<td>Some coordination</td>
<td>Integration</td>
<td>Highly coordinated</td>
</tr>
<tr>
<td>Capital</td>
<td>Low capital needs</td>
<td>Low capital needs</td>
<td>Some capital needs</td>
<td>High capital needs</td>
</tr>
</tbody>
</table>
Factsheet 1: Authorised Collective Bargaining Group

The ACCC allows groups of competing small businesses, including agricultural businesses, to apply for an authorisation or notification that allows them to bargain as a group. Such collective bargaining allows representatives of the group to negotiate common contract terms (including but not limited to product price) with one or more target buyers (processors/supermarkets). Whether the ACCC grants an authorisation or notification depends on Competition Law tests, such as weighing the public benefits of saving transaction costs of the collective bargaining arrangement against the detriments of the potential increase in consumer prices. Authorisation or notification will not be granted by the ACCC if the group controls too much of the supply of certain product.

Durable and accessible

A collective bargaining authorisation frequently lasts up to 10 years and can be renewed. An authorisation can relate to a general group of target buyers (e.g. vegetable processors in Tasmania). A collective bargaining group can apply for a fee waiver of the collective bargaining authorisation application fees, which is often granted by the ACCC to farmers. The authorisation process allows interested parties (e.g. buyers, industry groups, the government) to make submissions to the ACCC. The ACCC considers all of the submissions and makes a decision.

A collective bargaining notification is quicker: the group simply lodges the notification with the ACCC and if it is not rejected within 14 days, it is allowed to stand. It is also technically cheaper, though the ACCC cannot waive the fee. A collective bargaining notification only relates to negotiations with one identified target buyer and lasts for up to 3 years or until revoked by the ACCC. A group can lodge multiple collective bargaining notifications where there are multiple target buyers.

Voluntary and open

A collective bargaining group is voluntary and open, meaning a farmer can join the group at any time and can also leave to strike their own bargain. A collective bargaining group is often founded by members of a particular organisation (e.g. a non-profit company or association) that represents the types of farmers based on geographic region and product.

Authorisations or notifications do not create an actual vehicle. However, members can organise themselves as a legal entity to pool resources for the purpose of seeking authorisation.

The more often you answer yes to the factors that follow, the more likely this vehicle is suitable for your purposes. Groups that answer no to a few factors may still find this vehicle useful.

Collective bargaining factors:

1. Single aim
   - Your group has the sole purpose of collective bargaining. □ Yes □ No
   - For example, your group wants to collectively negotiate better returns for your product, or other contractual arrangements, such as delivery terms, length of contract etc.
2. **Effective negotiation skills**
   Particular members of the group have experience and skill at negotiating.
   - Yes
   - No

   *For example, there are members that can confidently represent the interests of the group to the target buyer/s.*

3. **Voluntary and open membership**
   Your group is happy to allow members to join and leave over time.
   - Yes
   - No

   *For example, you wish to attract as many farmers as possible to spread negotiation costs, acquire more skills and increase your product quantity and consistency to attract buyers.*

4. **Good faith and trust**
   There is mutual confidence and good faith between the intended members of the collective bargaining group.
   - Yes
   - No

   *For example, members have worked together successfully on other projects before.*

5. **Buyer interest**
   The target buyer (or buyers) is open to the benefits of collective bargaining.
   - Yes
   - No

   *For example, a large purchaser is interested in the consistent quality and guaranteed volumes that your group will be able to deliver.*

6. **Homogeneous product**
   Your group has a reasonably homogeneous product that has quality characteristics that can be easily documented.
   - Yes
   - No

   *For example, you are a group of dairy farmers with similar breeds of cattle and quality of milk.*

7. **Value chain relationships**
   Your group is open to developing new relationships with buyers and wholesalers.
   - Yes
   - No

   *For example, your group has discussed collective bargaining as an alternative to existing agency relationships.*
Factsheet 2: Share Farming and Contractual Networks

A contract may bind multiple farmers (a ‘contractual network’) who work together to get the best returns from their land, assets or product. Contracts can be created relatively cheaply and easily, if necessary with the help of a solicitor, and are not subject to registration costs, reporting or administrative requirements. Contracting parties are not in business together, they are simply bound by an agreement in respect of some aspects of their activities. A contractual network can support an opportunity to vertically integrate and eliminate intermediaries without creating a separate legal entity.

A contractual network is more loosely coordinated than the formal vehicles. For example, there are no directors, employees or shareholders. Contracts can be used in conjunction with other vehicles.

Share farming is like a joint venture

A share farming contract is a particular form of agreement that underpins agricultural collaboration. It allows a share farmer and the farm owner to work together to generate profits efficiently from their land and assets. Share farming is like a ‘joint venture’, where the individuals still have separate identities, but agree to collaborate closely, achieving economies of scale.

At its simplest, one farmer provides their land, another farmer provides their labour. Often the arrangement will be more involved with the handling of equipment, expenses, profit sharing and land quality all specified in the written agreement. The arrangement is highly flexible because it is based on a contract that can specify terms or conditions to suit any farmers’ purposes.

The more often you answer yes to the factors that follow, the more likely this vehicle is suitable for your purposes. Groups that answer no to a few factors may still find this vehicle useful.

Contractual network factors:

1. Common purpose

Your collaborators have agreed to the same contractual terms in a written contract.

☐ Yes

☐ No

For example, you have formed a network of suppliers who all agree to abide by identical product specifications in the supply contracts.

2. Simple and less expensive to establish

Your network wants to avoid registration fees and reporting requirements, but nonetheless wants each farmer to have the same obligations.

☐ Yes

☐ No

For example, your small network of separately owned farms supplies a high quality product to one group member, who sells it on to a retailer.
3. **Individual businesses working together**

The members of your group wish to remain as completely independent enterprises while collaborating effectively with a common business goal in mind. □ Yes □ No

For example, a contractual network allows like-minded farmers to collaborate and negotiate better returns for high quality products marketed under a common banner.

4. **Value chain knowledge and experience**

Your network can use its specialist knowledge of value-adding opportunities to maximise profitability. □ Yes □ No

For example, all the members of your network agree to supply a high quality product to one member who processes and packages it for high end resale.

5. **Coordination**

Your network is united by a spokesperson who coordinates the members around common contractual terms, gathers and shares relevant market data. □ Yes □ No

For example, your spokesperson can identify and communicate the special qualities of your network’s products and effectively market them under a unified brand.

**Share farming specific factors (consider these in addition to the contractual network factors):**

1. **Close co-operation and joint decision making**

You are prepared to co-ordinate your operations and make joint decisions to progress towards the shared goal of greater farming efficiency. □ Yes □ No

For example, the share farmer and land owner together decide on the parameters for sowing wheat on the owner’s land and the division of returns from its sale.

2. **Asset sharing**

Your group members are bringing complementary assets to the share farming arrangement. □ Yes □ No

For example, one farmer is providing land, the other is providing their automated GPS-based planting system and both will act in the best interests of each other’s assets.
Factsheet 3: Partnership

A partnership is a collaborative business venture with up to 20 different members who each contribute their complementary skills and expertise. You may already be in a partnership, without knowing it, simply by working closely with another person to generate a shared profit. A partnership doesn’t require registration with the Australian Securities and Investments Commission (ASIC) and has no specific fees, but you may wish to register a business name with ASIC.

Nonetheless it is well-advised to seek legal advice and draft a written partnership agreement to include terms regarding dispute resolution, admitting new partners, allowing partners to retire or resign and how partnership property will be distributed upon termination of the business.

Partners share profits and losses

Partnerships aren’t a separate legal entity (like a company or co-operative) and each partner sign contracts on behalf of all the other partners. Partners are personally liable for the debts of the business. Partners owe each other a duty of good faith and loyalty, and share equally in the capital and any profits, as well as contributing equally towards any losses of the partnership. Usually, the partners manage the business themselves without professional staff.

A partnership might be appropriate if you are seeking simple movement up the value chain or economies of scale. They are less suitable if your principal goal is to strengthen your bargaining position with other stakeholders, or to create a separate organisation to conduct a more complex business.

The more often you answer yes to the factors that follow, the more likely this vehicle is suitable for your purposes. Groups that answer no to a few factors may still find this vehicle useful.

Partnership factors:

1. Engagement with and knowledge of the value chain

You and your partners have identified a business opportunity that you want to exploit by combining your skills and abilities.

- Yes
- No

For example, one partner has a marketing background and another partner has knowledge of cutting-edge farm technology and they work together to develop and implement a business plan.

2. Trust and good faith

Your group members trust each other to sign contracts on behalf of the partnership that will bind you personally.

- Yes
- No

For example, the partners are similar in their ability to make sound business decisions and act on each others’ behalf which generates mutual confidence and support.

3. Equal and coordinated management

Partners have equal say in the day-to-day management of the partnership which is reflected in ongoing communication and coordination.

- Yes
- No

For example, your group has members with diverse skills and expertise and will share decision making according to these abilities.
Section 2: Formal Vehicles

In this section, we consider the various forms of formal vehicles including co-operatives generally, Co-operatives-Lite, modern co-operatives and private companies.

Co-operatives are flexible enough to be used for many purposes. Here, three notional types are discussed: the traditional co-operative, the co-operative lite and the modern co-operative. This illustrates the range of different goals that farmer-groups may achieve with a properly adapted co-operative structure.

Private companies are the most common vehicle used to conduct business in Australia. They are corporate entities owned by their shareholder/s (who have as many votes as they have shares) and managed by a board of directors. Like co-operatives, they are a separate legal entity from their owners.

The diagram below illustrates some of the key points of difference between the formal vehicles across:

<table>
<thead>
<tr>
<th>Focus</th>
<th>Co-operative</th>
<th>Co-operative Lite</th>
<th>Modern Co-operative</th>
<th>Private Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus</td>
<td>Focussed on intermediate collaboration</td>
<td>Focussed on collective bargaining</td>
<td>Focussed on value-adding and vertical integration</td>
<td>Focussed on value-adding and vertical integration</td>
</tr>
<tr>
<td>Ownership</td>
<td>Farmer Owned</td>
<td>Farmer Owned</td>
<td>Shareholders possible</td>
<td>Shareholder owned</td>
</tr>
<tr>
<td>Knowledge</td>
<td>Value chain knowledge</td>
<td>Limited value chain knowledge</td>
<td>Extensive value chain knowledge</td>
<td>Extensive value chain knowledge</td>
</tr>
<tr>
<td>Management</td>
<td>Majority farmer management</td>
<td>Farmer management</td>
<td>Professional management</td>
<td>Professional management</td>
</tr>
<tr>
<td>Capital</td>
<td>Low capital needs</td>
<td>Very low capital needs</td>
<td>High capital needs</td>
<td>High capital needs</td>
</tr>
</tbody>
</table>
**Factsheet 4: Co-operative**

The co-operative is a legal entity that can hold assets and enter contracts in its own name and must be registered. Recent reforms to co-operative laws (the Co-operatives National Law) have made co-operatives more flexible, modern vehicles. They can be relatively complex to set up, but establishment costs can be efficiently distributed amongst the members. The co-operative board of directors has a majority of farmer members. Co-operatives range in size from as few as 5 farmers, to as many as Murray Goulburn’s 2500 (approx.) or more. Surpluses are distributed to members as a premium on produce supplied, or as a rebate.

**Democratic management**

Anyone can join or leave a co-operative on the conditions set out in the membership rules, which can be designed to capture a specific group of farmers. Although a co-operative has a board of directors and sometimes managers for day-to-day decision making, all active members vote on the most significant issues. Co-operatives usually operate on the basis of ‘one member, one vote’, although the Co-operatives National Law allows each member to hold up to five votes. Membership shares can only be sold or transferred on the death or incapacity of a member or with the consent of the board. Co-operatives do not own the members’ farms or their assets, consequently farmer members remain highly autonomous.

There are two categories of members, active and inactive. Members who trade with the co-operative are active (‘wet shareholders’) and are able to vote. Inactive members cannot vote on the co-operative’s activities and are usually retired active members (‘dry shareholders’).

**Flexible and scaleable**

Co-operatives are highly flexible vehicles for collaboration, and differ in scale. Members of a co-operative have ‘limited liability’, which means that the activities of the co-operative do not endanger the personal assets of the members. While there is only one legal definition of a co-operative, to highlight their flexibility we divide them into three separate categories. They are: co-operatives generally; a Co-operative-Lite, which serves a single collective bargaining purpose; and a Modern Co-operative with an extensive capital base, market presence and professional management.

The more often you answer yes to the factors that follow, the more likely this vehicle is suitable for your purposes. Groups that answer no to a few factors may still find this vehicle useful.

**Co-operative factors:**

1. **Open membership**

   You wish to attract farmers to participate in and grow the co-operative.  
   
   - ☐ Yes  
   - ☐ No  

   *For example, you have established relationships with all the potential members of your group.*

2. **Democratic operation and management**

   You support equality in voting power.  
   
   - ☐ Yes  
   - ☐ No  

   *For example, all farmers who join the co-operative share in the benefits equally.*
3. Management skills and value chain knowledge

There are farmer members with individual expertise, management skills and knowledge of the value chain in your group. ☐ Yes ☐ No

For example, one or more members of the group has a track record in the management of a rural enterprise.

4. Homogeneous product

Your group’s product is homogeneous in quality and character. ☐ Yes ☐ No

For example, the quality differences in your products can be objectively measured and documented, promoting fairness and transparency.

5. Clear and common goals

The members of your group have a clear goal and purpose. ☐ Yes ☐ No

For example, the members of your group agree on a new product line they want to develop.

6. Leadership and trust

One or more members of your group have the ability and willingness to lead. ☐ Yes ☐ No

For example, all the members of the group agree on the identity of a leadership team for the cooperative when it is established.

7. Secure value chain relationships

Your group seeks to secure long-term and stable engagement with stakeholders higher up the value chain such as processors or retailers. ☐ Yes ☐ No

For example, your group wants a stable and ongoing engagement with a processor, rather than one limited by the ACCC approval cycle.
**Factsheet 5: Co-operative-Lite**

A Co-operative-Lite is a single-object form of co-operative, with low establishment and running costs. The Co-operative-Lite is governed by the same law as co-operatives generally (there is no legal distinction). The object of a Co-operative-Lite is to negotiate the best contract terms on behalf of farmer members. It does not perform multiple functions, like consolidation, processing and packaging. Following the ‘one member one vote’ rule, all of the farmer members get a say in how the Co-operative-Lite conducts negotiations with the buyer.

A Co-operative-Lite has all the benefits of a co-operative generally: limited member liability, a separate legal entity and equal voting rights (one member one vote). The main alternative to a Co-operative-Lite is a collective bargaining group with an authorisation/notification from the ACCC (see factsheet 5).

While the Co-operative-Lite does not physically acquire or pool the produce of its members, there is a single contract between the Co-operative-Lite and the buyer. A Co-operative-Lite administers the contract and distributes payments to members.

Farmer members of a Co-operative-Lite stay independent and continue to manage their own farm autonomously.

The more often you answer yes to the factors that follow, the more likely this vehicle is suitable for your purposes. Groups that answer no to a few factors may still find this vehicle useful.

**Co-operative-Lite factors (consider these in addition to the co-operative factors):**

1.  **Limited purpose and focussed aim**

   Your group wants an arrangement solely for the purpose of collectively [ ] Yes negotiating terms with buyers. [ ] No

   *For example, at this stage, your group is not interested in purchasing processing facilities, value-adding or consolidation.*

2.  **Retaining individual autonomy**

   Each member wants to retain as much autonomy over their farm and product as [ ] Yes they can. [ ] No

   *For example, your group members wish to continue to manage their farms as they see fit while seeking better farm-gate returns through collaboration.*

3.  **Bargaining opportunity**

   Your group has identified a target buyer who is open to the benefits of [ ] Yes negotiating a contract with a larger supplier. [ ] No

   *For example, you have been approached by a supermarket chain interested in your product but wanting more volume and a higher consistent quality than you can independently guarantee.*
Factsheet 6: Modern Co-operative

Many modern agricultural co-operatives have adopted more of the characteristics of a corporation. The new Co-operatives National Law facilitates this by allowing co-operatives to operate nationally and introducing ‘co-operative capital units’, providing easier access to equity-style capital. Co-operative capital units can be listed on the stock exchange like shares and bonds.

More complex and with better access to capital

Co-operatives in need of additional capital may adopt a modern co-operative model, which in turn may generate changes in internal governance, for instance by giving minority decision powers to external investors. Modern co-operatives can have a number of professional directors and delegate authority to managers with relevant training and expertise.

Modern co-operatives, although capital intensive, can pursue growth strategies through mergers, acquisitions and internationalization, accommodating the diverse interests of different member groups.

If you and your collaborators wish to have a larger agricultural co-operative structure or actively move up the value chain with high levels of investment and trained managers, this may be an appropriate vehicle.

The more often you answer yes to the factors that follow, the more likely this vehicle is suitable for your purposes. Groups that answer no to a few factors may still find this vehicle useful.

Modern co-operative factors (consider these in addition to the co-operative factors):

1. Profit driven

   Your group wishes to accumulate profit within the co-operative to finance expansion and diversification projects.  
   - Yes
   - No

   For example, your group wants to invest in more sophisticated processing and packing technology.

2. Delegation

   Your group wishes to delegate day-to-day problem-solving, management and corporate decision making to professionally trained staff.  
   - Yes
   - No

   For example, farmer members have more time to manage their farms and make high-level strategic choices because they employ managers for the modern co-operative’s day-to-day tasks.

3. Moving up the value chain

   Your group has an active expansion strategy that involves moving up the value chain.  
   - Yes
   - No

   For example, your group wants to diversify its product range and move into processing and branding your product for retail purposes.
4. Easier access to capital

Your group needs more funding to access more complex value chain  □ Yes opportunities.  □ No

For example, your group wants to build a new processing plant to take advantage of an export opportunity.
Factsheet 7: Private Company (Pty. Ltd.)

Private companies have an efficient structure that supports complex goals and rapid decision making. Private companies are owned by their shareholders (up to 50 maximum) who vote based on the number of shares they hold, in contrast to a co-operative’s democratic style (one member, one vote). Shareholders need not be farmers, nor do they need to be ‘active’ in the company, although they are usually closely engaged with its affairs and its management. A private company is different to a large public company that trades shares on the stock exchange – private companies have fewer shareholders and fewer reporting requirements.

The company is a legal ‘person’, separate from its owners, that can hold assets and sign contracts. The power to manage the company is usually vested in the directors collectively, and is theirs alone to exercise. The board of directors could be comprised of a mix of farmer shareholders and professional managers. External directors bring commercial and financial knowledge as well as an outside perspective to management. Directors have duties to act in the best interests of the company, rather than of the members.

Owned by shareholders, managed by the board

Group members can join as shareholders (owners), directors (managers) and/or employees. Shareholding determines ‘dividends’ (although farmers could pay themselves a salary) in contrast to the rebate system of co-operatives. The board of directors must approve new shareholders, although existing shares can be bought, sold and left in a will to members and non-members, unlike in a co-operative. Private companies, though relatively cheap and quick to register, can require professional advice to establish properly (e.g. drafting the company constitution).

Shareholders have ‘limited liability’, meaning that company ventures do not endanger their personal assets like the house or car. In exchange for being able to pursue more complex goals and achieve economies of scale, you may choose to be less autonomous and more integrated with the operations of your company.

The more often you answer yes to the factors that follow, the more likely this vehicle is suitable for your purposes. Groups that answer no to a few factors may still find this vehicle useful.

Private company factors:

1. Shareholding
   Your group wants ownership and voting power to be determined by investment amount.
   - Yes
   - No
   
   For example, some members will invest more and take a larger role in management while others will take a support role in the company.

2. Management expertise
   Some members of your group have the necessary commercial, management and financial expertise to join the board of directors.
   - Yes
   - No
   
   For example, some members have experience as directors of other companies and there are independent managers available to bring expert knowledge to the group.
3. **Complexity and administration costs**
   Your group is prepared to meet the record keeping and accounting requirements the *Corporations Act 2001* (Cth) places on private companies.
   
   For example, there are enough members in your group to share administrative tasks like filing financial reports and organising the annual general meeting.

4. **Easier access to capital**
   Your group has in mind more complex and high value operations that require larger investments.
   
   For example, your group intends to seek external funding to purchase facilities and equipment for processing and marketing.

5. **Streamlined operations**
   Your group has confidence in the ability of the board of directors to lead important initiatives and make significant strategic decisions.
   
   For example, the members trust the directors to select and adopt new technology for the company.

6. **Focussed goal**
   Your group agrees on a well-defined strategic vision that they will pursue vigorously.
   
   For example, all member farmers agree to invest in high value-added processing to differentiate their product based on quality and region.

7. **Engagement with the value chain**
   Members of your group have experience with other aspects of your product’s value chain.
   
   For example, some farmer members have experience as processors, wholesaler or retailers in the same product sector.
Section 3: Not-for-Profit Vehicles

In this section we consider two forms of not-for-profit vehicles that might be appropriate for your group. A not-for-profit vehicle must have some purpose other than making a profit. It exists for the common good of the members and the wider community. Factsheets 8 and 9 cover incorporated associations and public companies limited by guarantee.

Unincorporated associations (such as clubs or societies) are not dealt with in the not-for-profit vehicles factsheets as they are more suited to societies, clubs and charities which are not associated with any business or commercial activities. Any group of persons who have agreed to join together in the pursuit of a common purpose thereby form an unincorporated association. It is not registered and does not create a separate legal entity. Although free to create, it must have members, a contract binding the members (such as a constitution or documented rules) and an initial meeting where the unincorporated association is started.

By contrast, an incorporated association (factsheet 8) becomes a legal entity in its own right, separate from the individual members. This means the incorporated association may enter into contracts, hold and acquire property, but without profiting from its activities. An association is incorporated under the relevant State or Territory legislation and must also be registered under the federal Corporations Act 2001 (Cth) to conduct business in other states.

A public company limited by guarantee (‘non-profit company’) is legally similar to an incorporated association, but is generally used by larger groups (potentially hundreds of members) with a management team and a well-defined set of goals. Registered under federal law Corporations Act 2001 (Cth), a non-profit company can operate nationally.

<table>
<thead>
<tr>
<th>Size</th>
<th>Connects small groups</th>
<th>Connects regional groups</th>
<th>Connects larger groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purpose</td>
<td>General focus or shared interest</td>
<td>Range of purposes</td>
<td>Well-defined purpose</td>
</tr>
<tr>
<td>Management</td>
<td>Democratic management</td>
<td>Democratic management</td>
<td>Delegated management</td>
</tr>
<tr>
<td>Capital</td>
<td>Very low capital needs</td>
<td>Low capital needs</td>
<td>Higher capital needs</td>
</tr>
<tr>
<td>Cost</td>
<td>Free to establish</td>
<td>Cheap to establish</td>
<td>Expensive to establish</td>
</tr>
<tr>
<td>Administration</td>
<td>No administration or reporting</td>
<td>Limited administration and reporting</td>
<td>More administration and reporting</td>
</tr>
<tr>
<td>Entity</td>
<td>No separate legal entity</td>
<td>Separate legal entity</td>
<td>Separate legal entity</td>
</tr>
</tbody>
</table>
Factsheet 8: Incorporated Association

Incorporated associations are not-for-profit vehicles registered under the individual laws of each state or territory. Incorporated associations can only operate within their governing state or territory unless they are also registered under the Corporations Act 2001 (Cth), which allows them to operate nationally. This vehicle is ‘incorporated’, meaning that it is a separate legal entity from its members. An incorporated association can implement membership rules and a management committee (like a board of directors) to whom the members delegate most decision making.

Incorporated associations cannot make a profit for their members, but can trade and raise funds to fulfil their non-profit purpose. Incorporated associations serve and support farmers (e.g. by providing up-to-date business data) and pursue goals relevant to farmers’ operations without directly affecting their day-to-day business.

Incorporated associations serve many purposes

Members pay an annual fee or levy to join, which finances the group’s operations. The pooled funds can be used to pursue a wide range of activities, from technical advice to representing a particular industry (e.g. potato farmers). The nature of an association can attract all kinds of farmers with different goals and interests and therefore facilitates knowledge sharing and building social capital.

An incorporated association can also be used as a structured way to obtain an ACCC authorisation/notification on behalf of its members. For example, in 2013, the Queensland Chicken Growers Association Incorporated was granted a 10 year collective bargaining authorisation.

The more often you answer yes to the factors that follow, the more likely this vehicle is suitable for your purposes. Groups that answer no to a few factors may still find this vehicle useful.

Incorporated association factors:

1. Leadership capacity

   One or more members of your group has the ability and willingness to volunteer their time and effort to lead the association openly and transparently. ☐ Yes ☐ No

   *For example, all the members of the group might agree on the identity of one leader to become the president of the association when it is established.*

2. Shared not-for-profit purpose

   Your group is not attempting to make a profit for its members, instead membership fees are used to pursue a shared not-for-profit purpose/s. ☐ Yes ☐ No

   *For example, your group’s goal is to represent farmers in your area and improve knowledge sharing and efficient adoption of on-farm pest and disease management practices.*
3. **Social capital and trust**

Your group would like to build trust and good faith between its members by engaging in non-profit collaboration.  

- Yes
- No

*For example, your farmer members form a discussion group to learn about recent research and development advances in their sector.*

4. **Knowledge and experience**

Members of your group have experience and knowledge in relation to the interests and activities of the association.  

- Yes
- No

*For example, a member of your group is well connected to networks that can supply information about how to combat emerging biosecurity threats.*

5. **Acquisition and sharing of knowledge**

Your group wants to gather and share knowledge to help your members understand the value chain.  

- Yes
- No

*For example, many farmers want to stay up to date with the latest changes in occupational health and safety.*
Factsheet 9: Public Company Limited by Guarantee (Non-Profit Company)

A public company limited by guarantee (‘non-profit company’) is a specific, not-for-profit type of public company. It is not the public company structure used by large corporations listed on the stock exchange. In many ways it is simply a larger, more ‘corporate’ form of an incorporated association. A non-profit company, although legally similar to an incorporated association, is more appropriate for larger groups with a management team and a complex goal. It is more expensive to establish, more complex to register and has ongoing reporting requirements.

A non-profit company is registered under the federal Corporations Act 2001 (Cth) allowing it to operate Australia-wide. It is a separate legal entity, can hold assets and enter into contracts like an incorporated association. It also has a company constitution (rules) and a board of directors who manage its operations. Farmers join as members who ‘guarantee’ the company: they are liable for a nominal amount (e.g. $10) if the company is wound up. Members in a non-profit company usually delegate most decision making to the board of directors, in contrast to the democratic management style of an incorporated association.

As the non-profit operations are separate from day-to-day farming, members retain independent control of their own farms. Non-profit companies, like incorporated associations, can pursue a wide range of goals, e.g. regulating trade in a commodity, promoting regional tourism and organising collective bargaining groups etc.

When using a non-profit company (e.g. the Tasmanian Farmers and Graziers’ Association) to organise a collective bargaining group, consider factsheet 5 and this factsheet together.

The more often you answer yes to the factors that follow, the more likely this vehicle is suitable for your purposes. Groups that answer no to a few factors may still find this vehicle useful.

Public company limited by guarantee factors (consider these in addition to the incorporated association factors):

1. Streamlined decision making

   Your group has decision makers who can autonomously manage the complex operations of your company day to day.

   Yes  □  No  □

   For example, the company has multiple functions such as regulating trade, developing codes of conduct and marketing a product, which require timely, efficient and flexible decision making.

2. Management skills

   Your group has confidence in a group of members to form the board of directors to lead important initiatives and make significant decisions.

   Yes  □  No  □

   For example, group members have experience as chairpersons of regional farmer associations and service clubs and are trusted and willing to manage the association.

3. Multifaceted objectives

   Your group’s shared goals are multifaceted and broader than those of an incorporated association.

   Yes  □  No  □

   For example, your group provides services like warehousing and marketing to its members, and maintains and promotes high quality standards.
Resources List

General Information

Agricultural Competitiveness White Paper

http://agwhitepaper.agriculture.gov.au

Small Business Victoria: Information Sheet


Department of Agriculture and Water Resources Publications

http://www.agriculture.gov.au/publications#k=publications

Australian Farm Institute – AG Forum


Rural Industries Research & Development Corporation

http://www.rirdc.gov.au

Collective Bargaining

Australian Competition and Consumer Commission – Collective Bargaining & Boycotts


Co-operatives

Fair Trading New South Wales – Co-operatives National Law Information


Australian Bureau of Statistics – The History of Co-operatives in Australia

http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/1301.0~2012~Main%20Features~The%20history%20of%20co-operatives%20in%20Australia~288

Business Council of Co-operatives and Mutuals

http://bccm.coop

Companies

Australian Securities and Investments Commission – Starting a Company
Not-for-profit Vehicles

Australian Securities and Investments Commission – Registering not for profit organisations
