



NEW ZEALAND
LAW SOCIETY

NZLS EST 1869

Geographical Indications (Wine and Spirits) Registration Amendment Bill

29/04/2016

Geographical Indications (Wine and Spirits) Registration Amendment Bill

1 Introduction

- 1.1 The New Zealand Law Society (Law Society) welcomes the opportunity to comment on the Geographical Indications (Wines and Spirits) Registration Amendment Bill (Bill). The Bill seeks to amend the Geographical Indications (Wines and Spirits) Registration Act (Act), which is not yet in force. The purpose of the Bill is to make the Act and the Geographical Indication register it introduces more workable before the Act is brought into force.
- 1.2 The Law Society's comments focus on technical workability and clarity of drafting, in relation to the following clauses:
 - (a) Clause 10 (no registration if use or registration is likely to be offensive)
 - (b) Clause 11 (restriction on use of New Zealand registered geographical indication for wine)
 - (c) Clause 12 (restriction on use of foreign registered geographical indication for wine)
 - (d) Clause 18 (use of words "New Zealand" to denote origin)
 - (e) Clause 25 (alteration of register)
 - (f) Clause 30 (renewal fees)
 - (g) Clause 31 (Registrar may award costs)

2 Clause 10 (No registration if use or registration is likely to be offensive)

- 2.1 Clause 10 inserts what it describes as new section 13A after section 13. It appears these references should be to new section 18A which would be inserted after section 18. This is because:
 - after section 18 seems the more logical place to insert the new section;
 - it would be consistent with the Bill's explanatory note which states that clause 10 inserts new section 18A;
 - it would also be consistent with clause 24 which inserts a reference to new section 18A.
- 2.2 There is also a difference between the wording of proposed new section 13A/18A from the equivalent provision in the Trade Marks Act 2002, section 17(1)(c). The proposed new section reads:

"The Registrar must not register a geographical indication if the geographical indication, its use, or registration would, in the opinion of the Registrar, be likely to offend a significant section of the community, including Māori".
- 2.3 Section 17(1)(c) of the Trade Marks Act states:

"The Commissioner must not register as a trade mark...any matter...the use or registration of which would, in the opinion of the Commissioner, be likely to offend a significant section of the community, including Māori".
- 2.4 It is not clear what is meant by "if the geographical indication ... would ... be likely to offend ...", as opposed to its use or registration being likely to offend.

Recommendations:

- 2.5 References to new section 13A should be replaced with references to new section 18A.
- 2.6 For consistency with the Trade Marks Act 2002 and to avoid inserting a concept in the Act that is uncertain, delete the words “the geographical indication” in the new section.

3 Clause 12 (Restriction on use of foreign registered geographical indication for wine)

- 3.1 The Law Society recommends a minor amendment to new section 22(b)(i), replacing the “:” with “; and”, to make it clear that foreign registered geographical indications must be used in accordance with the requirements of both section 22(b)(i) and (ii).
- 3.2 This change would also make the wording consistent with proposed new section 24(b) (clause 14).

Recommendation:

- 3.3 Amend clause 12 as described in paragraph 4.1.

4 Clause 18 (Use of words “New Zealand” to denote origin)

“In the course of trade”

- 4.1 Clause 18 inserts a new section 32A, as follows:

Despite sections 21 and 23, the use of the words “New Zealand” in relation to wine or spirits is not to be treated as use of the enduring New Zealand geographical indication “New Zealand” if the words are used—

- (a) to comply with other laws or regulations to denote the country of origin; and
- (b) in the course of trade and not in such a manner as to mislead the public.

- 4.2 Proposed section 32A(b) requires that to obtain the benefit of the section, the use of “New Zealand” must be:

“in the course of trade and not in such a manner as to mislead the public.”

- 4.3 The qualification “in the course of trade” appears to be superfluous because use of the words “New Zealand” other than in the course of trade could not in any event breach sections 21 or 23. Both those sections relate only to the use of a New Zealand registered geographical indication in trade. (Under section 33 of the principal Act, breach of a restriction on use of a registered geographical indication amounts to a breach of the Fair Trading Act 1986.)

- 4.4 However, if the words “in the course of trade” are to be retained in new section 32A(b), they should also qualify proposed new section 32A(a). On that basis the Law Society suggests the following redrafting for clarity: delete the words “in the course of trade and” from section 32A(b) and insert those words at the end of section 32A, after “if the words are used”.

“Misleading the public”

- 4.5 It is not clear why section 32A(b) is limited to requiring that the use of words does not mislead “the public”.

- 4.6 The reference to “mislead” represents a higher threshold than section 9 of the Fair Trading Act. Section 9 encompasses any conduct in trade that is misleading or deceptive, or likely to mislead or deceive (a lower threshold). If it is not intended that a higher threshold be adopted, the Law Society recommends amending the test in new section 32A(b) to read “and not in such a manner as to be likely to mislead”. This would be consistent with the lower threshold under section 9 of the Fair Trading Act.

Recommendations:

- 4.7 Delete the words "in the course of trade and" from proposed section 32A(b) and insert the words "in the course of trade" at the end of the first paragraph of amended section 32A, after "if the words are used".
- 4.8 Delete the words "the public" and replace the "mislead" test with "likely to mislead".

5 Clause 25 (Alteration of register)

- 5.1 Clause 25 would insert new section 46(1A) into the Act. Section 46(1A) would allow the Registrar to alter a registered geographical indication or the conditions or boundaries relating to it if the Registrar is satisfied that the alteration "will not substantially alter the character of the geographical indication".
- 5.2 The term "will not substantially alter the character of the geographical indication" is vague and requires clarification. The "character" of a geographical indication appears to refer to its essential function as an indicator of geographical origin.¹
- 5.3 In addition, MBIE intended that amendments to geographical indications should not be allowed which would result in the geographical indication "misleading consumers"² or "potentially confus[ing] consumers"³.
- 5.4 For clarity, these consumer protection objectives should be expressly referred to in section 46(1A).
- 5.5 The Law Society therefore considers that section 46(1A) should be amended to require the Registrar to be satisfied that the alteration "will not substantially alter the character of the geographical indication as an indicator of geographical origin and is not likely to mislead".
- 5.6 It is also noted that the new section 46(1A) will make existing section 46(1) superfluous. Section 46(1) reads:

If satisfied that the alteration is necessary, the Registrar may, on his or her own initiative or on the application of an interested person, alter a registered geographical indication, or the conditions or boundaries relating to it.

Recommendations:

- 5.7 Amend section 46(1A) to require that the Registrar be satisfied the alteration "will not substantially alter the character of the geographical indication as an indicator of origin and is not likely to mislead".
- 5.8 Replace section 46(1) of the Act with section 46(1A).

6 Clause 30 (Renewal Fees)

- 6.1 Clause 30 would insert new section 57(2) into the Act. Proposed section 57(2)(b) provides that the Governor-General may prescribe renewal fees that:

¹ Although the term "character" is not defined in the Act or the Bill, the s 6 definition of "geographical indication" refers to a "characteristic" of the wine/spirit as being essentially attributable to its geographical origin. ("A *geographical indication* is an indication that identifies a wine or spirit as originating in the territory of a country, or a region or locality in that territory, where a given quality, or reputation, or other characteristic, of the wine or spirit is essentially attributable to its geographical origin").

² RIS, "*Implementation of the Geographical Indications (Wines and Spirits) Registration Act 2006*", at [92].

³ Ibid., at [93].

- "(a) recover some or all of the costs incurred by the Registrar in performing his or her functions under this Act; and
 - (b) recover those costs at a level that provides an incentive to allow registrations of geographical indications to expire if persons interested in the registration no longer find registration beneficial."
- 6.2 The Law Society questions whether a renewal fee set "at a level that provides an incentive to allow registrations ... to expire if persons interested in the registration no longer find registration beneficial" is sufficiently certain and consistent with the purposes of the Act.
- 6.3 In particular, the concept "*if persons interested ... no longer find registration beneficial*" is subjective and vague. There is a risk that renewal fees set with reference to such a subjective and vague concept may deter interested parties from renewing geographical indications in circumstances where continued registration would otherwise fall within the purposes of the Act.

Recommendation:

- 6.4 Consider amending section 57(2)(b) to refer to the recovery of costs at a level that provides an incentive to allow registrations of geographical indications to expire "which no longer meet the purposes of the Act".

7 Clause 31 (Registrar may award costs)

- 7.1 Proposed new section 57B(1)(a) would allow the Registrar to award costs in oppositions to registration of a geographical indication, and oppositions to the removal or alteration of a registered geographical indication,
 - "... of an amount that the Registrar thinks appropriate (which, without limitation, may be on an indemnity basis)".
- 7.2 The reference to costs on an indemnity basis raises a number of concerns.
- 7.3 The first concern is the uncertainty created about when and to what level indemnity costs may be awarded.
 - 7.3.1 There is no precedent for the awarding of indemnity costs at IPONZ level. Under the equivalent provision in the Trade Marks Act 2002, section 166, the Commissioner may award "costs that the Commissioner considers reasonable" – i.e. the Commissioner could, hypothetically, award costs on an indemnity basis but in practice that does not happen. Rather, costs in IPONZ trade mark proceedings are governed by a fixed scale. While the scale is currently subject to criticism because costs awards have not been increased since 1999 and bear no relation to actual costs, this approach does give parties certainty.
 - 7.3.2 Even in the courts, costs on an indemnity basis are rare and "indemnity costs" is interpreted as meaning all costs reasonably incurred.
 - 7.3.3 As it stands, this proposed provision gives no indication of likely costs awards and so creates a level of uncertainty for parties involved in proceedings, who would also have no way of knowing what might trigger indemnity costs.
 - 7.3.4 The inclusion of a specific reference to the possibility of indemnity costs may also create a perception that indemnity costs are likely to be awarded.
 - 7.3.5 Further, referring simply to costs on an indemnity basis without qualifying this with reference to the reasonable costs of the successful party creates the impression that if

indemnity costs are awarded against an unsuccessful party, this may result in an unreasonably high costs award – for example if the successful party had chosen to take a “gold plated” approach to the proceeding.

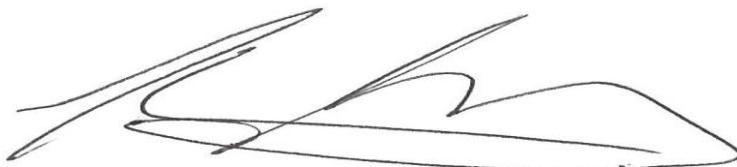
- 7.4 The second concern is that a specific reference to indemnity costs may create a chilling effect, discouraging potential opponents or discouraging applicants from defending their applications. Parties considering a proceeding, especially in the early stages after the legislation comes into effect, would be taking an unduly high risk in effectively putting themselves forward as the first “test cases”.
- 7.5 The third concern is that there is no mention of a scale of costs, which the Law Society considers is the better way of dealing with costs. However, it may be that a scale of costs is intended to be implemented.

Recommendations:

- 7.6 Delete the words “(which, without limitation, may be on an indemnity basis)” from proposed section 57B(1)(a).
- 7.7 If not already underway, introduce a scale of costs before the legislation is implemented. This would be consistent with both IPONZ and High Court procedure and would give parties a degree of certainty. Indemnity costs would still be an option for the Registrar but this would avoid the perception that they may be the norm, and the potential award of indemnity costs is then more likely to follow High Court principles.

8 Conclusion

- 8.1 The Law Society does not wish to be heard, but is available to meet with the officials advising on the Bill if the Committee considers that this would be of assistance

A handwritten signature in black ink, appearing to read "Kathryn Beck". The signature is fluid and cursive, with a large, stylized 'K' at the beginning.

Kathryn Beck
President
29 April 2016