

Regulatory Impact Statement

Implementation of the Geographical Indications (Wine and Spirits) Registration Act 2006 (**'the Act'**)

Agency Disclosure Statement

1. This Regulatory Impact Statement has been prepared by the Ministry of Business, Innovation and Employment (**MBIE**), in consultation with the Ministry of Foreign Affairs and Trade (**MFAT**) and the Ministry for Primary Industries (**MPI**).
2. It provides an analysis of proposals for amending the Geographical Indications (Wine and Spirits) Registration Act 2006 to improve its workability and ensure that it meets its policy objectives when it is brought into force. The most significant proposals are directed to providing a long term sustainable source of funding for maintaining the Register of Geographical Indications (**'the Register'**).
3. The cost of establishing and maintaining the Register are not known, although work will commence in the near future to determine the costs involved in implementing the Act. It is not possible to reliably estimate the renewal fees that would be payable under the proposed renewal regime because the first applications for renewal would not be made until the mid-2020s at the earliest.
4. No formal cost-benefit analysis has been carried out for any of the proposals. Instead, qualitative judgements of the impacts (positive and negative) of the options considered have been used to determine the preferred options.
5. The industry groups representing New Zealand wine producers and spirit producers (NZWine and the New Zealand Distilled Spirits Association respectively) have been consulted on the proposals, however there has not been time for wider public consultation. NZWine and the Distilled Spirits Association have expressed general support for the preferred options set out in this Regulatory Impact Statement.

Iain Southall

Manager, Intellectual Property Policy

Labour and Commercial Environment

Executive Summary

6. The Act was enacted in 2006 but never brought into force. On 10 December 2014, Cabinet agreed that the Act be implemented in order to avoid the risk that non-implementation might undermine the trade strategies of the New Zealand wine industry, and to facilitate efforts to begin negotiations between New Zealand and the European Union (EU) on a Free Trade Agreement.
7. MBIE has identified some problems with the Act that will require amendment before the Act can be implemented. Some of these amendments are minor and technical and not dealt with in this Regulatory Impact Statement (RIS). Others are more substantial and are required to ensure the workability and sustainability of the registration process, and are the subject of this RIS.
8. A significant problem with the Act, as enacted, is that it does not provide a sustainable long-term source of funding for the maintenance of the Register. Once a geographical indication (GI) is registered, it remains on the Register indefinitely until removed or cancelled. There is no provision that would enable costs to be recovered from GI users once a GI has been placed on the Register.
9. This could be a significant problem, as it is anticipated that there will be about 30 - 40 applications for registration within the first year or two of entry into force, mostly for New Zealand wine GIs, and 0 - 2 applications per year subsequently. If the initial application fee has to cover the cost of examining the initial application and contribute to the maintenance of the Register for an indefinite period, the initial application fee might need to be set at a level that might deter many GI users from applying to register their GIs.
10. Currently, the actual costs involved in establishing and maintaining the Register are not known. The Intellectual Property Office of New Zealand (IPONZ), which will have responsibility for administering the Act, will be commencing work in the near future to determine the costs involved in implementing the Act.
11. The preferred option for dealing with the funding issue is to provide that GIs will lapse after a fixed term, unless renewed by paying the prescribed renewal fee, the level of renewal fee being such that the long-term costs of maintaining the Register can be met from these fees.
12. In relation to the specified term, the preferred option is ten years, the same as for registered trade marks. A shorter term, such as five years, may lead to lower initial application fees, but this is likely to be offset by increased costs to both the Registrar and GI users of more frequent renewals. A longer term, such as twenty years, may reduce the costs associated with renewals, but may lead to higher initial application fees, as the initial fee will have to contribute towards the cost of maintaining the Register for a longer period of time.
13. Providing the GIs lapse after a specified period of time also has the advantage that GIs that are no longer in use are likely to lapse, as their users are unlikely to want to pay the renewal fee. This will make these GIs available for third parties to use in a non-GI sense, for example as part of their trade marks.
14. The other changes proposed are intended to ensure that the GI registration system operates smoothly and meets the objectives set out in this RIS. These are:
 - where a GI registration has lapsed due to failure to pay a renewal fee the registration may be restored, if an application for restoration is made within a prescribed time period;
 - deem the terms 'New Zealand', 'North Island' and 'South Island' to be New Zealand registered GIs;
 - provide that the Registrar may refuse a GI whose use or registration would likely be offensive to a significant section of society, including Māori;

- provide that, once registered, amendments to a GI would only be permitted if the amendments did not substantially alter the character of the indication (while allowing amendments to the associated boundaries and conditions of use); and
- provide the Registrar with the ability to make awards of costs, and seek security for costs, where appropriate.

Background

15. A GI is an indication (usually a regional name) used to identify the geographical origin of goods that have a given quality, reputation or other characteristic essentially attributable to their geographical origin. GIs have traditionally been used for agricultural goods and foodstuffs that have qualities influenced by unique local characteristics like climate and soil. Well-known products identified by GIs include Champagne, Scotch Whisky and Prosciutto de Parma (Parma Ham).
16. The use of GIs by New Zealand producers is largely confined to the wine industry, although foreign wine producers selling into the New Zealand market also use GIs. In the New Zealand spirits market, only foreign distillers use GIs to identify their products. For example, foreign producers claim that terms like 'bourbon', 'tequila' and 'grappa' are GIs and may not be used by potential New Zealand competitors. Some New Zealand companies are licensed to distribute products bearing foreign GIs in New Zealand including various brands of 'bourbon', 'cognac', 'scotch whisky' and 'tequila'.
17. In 2006 the Act was enacted but has never been brought into force. On 10 December 2014 Cabinet agreed to implement the Act. The issues surrounding the decision to implement the Act are discussed more fully in the RIS accompanying the Cabinet submission recommending implementation¹.
18. Cabinet decided to implement the Act at this time to avoid potential risks should the Act not be implemented. These risks include:
 - undermining industry trade strategies and growth potential;
 - *[Withheld under s6(a) of the Official Information Act 1982]*
 - *[Withheld under s6(e)(vi) and 9(2)(j) of the Official Information Act 1982]*
19. The Act establishes a formal Register for GIs. Any 'interested person' will be able to apply to register a GI. The application will be subject to an examination process by the Registrar of Geographical Indications (**the Registrar**) and a GI will only be registered if the criteria set down in the Act are satisfied. The Act also establishes procedures to enable interested third parties to challenge the Registrar's decision to register a GI, and to apply to cancel the registration of a GI. A wine producer can use a registered GI for the wine if at least 85% of the wine originates from the area denoted by the GI (**'the 85% rule'**).
20. We have identified a number of problems with the Act that require amendments before it can be implemented. Some of these are required to correct drafting errors and to remove inconsistencies. These are not dealt with in this RIS. Others are required to improve the workability and sustainability of the registration procedure, and these are dealt with in this RIS.
21. The main issue dealt with in this RIS is the provision of sustainable funding for the long term maintenance of the Register given that most applications for registration will be filed within the first few years of entry into force. Some of the other proposals arise as consequence of the proposed solution to the funding issue. Other proposals are intended to ensure that the registration process works smoothly and do not impose undue costs and complexity on GI users and third parties.

¹31 March 2015 9EGI Min (14) 21/8

22. Cabinet has agreed for MBIE, working with MFAT and MPI, to commence a policy process to develop the amendments. MBIE has been directed to report back to Cabinet on possible amendments by 31 March 2015.

Objectives

23. Provide a regulatory environment for a protection of GIs in the New Zealand wine and spirits industries that:
- a. is cost-effective, sustainable and accessible (that is, it minimises the costs and 'red-tape' imposed on GI users so as to facilitate the registration of GIs); and
 - b. provides a sound trading and marketing environment that facilitates, rather than creates barriers to, the trade in wine and spirits (that is, it does not impose unjustified restrictions on the legitimate activities of wine producers, or mislead or confuse consumers).

Impact Analysis

24. In this analysis the symbols used in the tables summarising the analyses of the proposals have the meaning set out below (comparisons are with the status quo):

✓ = positive

✗ = negative

— = neutral

25. Some of the proposals relating to the issue of sustainable funding for the Register have not been compared with the status quo. These proposals arise as a 'consequence' of the initial preferred option on this issue, so that there is no formal 'status quo'.

Issue 1, Part 1: Provision of a Sustainable Source of Funding for the Operation of the Act

Status Quo and Problem Definition

26. At present, the Act only provides for a single application fee to be paid at the time the initial application is made. Once registered, a GI will remain on the Register indefinitely unless the registration is removed or cancelled. There is no provision in the Act for recovering costs from GI users once the GI has been registered.
27. It is anticipated that once the Act is brought into force, there will be an initial 'burst' of about 30 - 40 applications for registration, mostly from New Zealand producers. The New Zealand Win industry has indicated that it has developed a list of 30 'priority' New Zealand GIs for which it will seek registration. Following this, the number of applications is likely to drop to perhaps 0 - 2 applications per year, mostly from foreign applicants.
28. This raises the question of how the long-term maintenance of the Register will be paid for. This includes the ongoing costs of establishing and maintaining a website and a publicly accessible electronic register. Income from new applications (if any) may not be sufficient to cover these ongoing costs.
29. Currently, the actual costs involved in establishing and maintaining the Register are not known. IPONZ, which have the responsibility for administering the Act, will be commencing work in the near future to determine the costs involved in implementing the Act. This work will then be used to determine the level of fees that will be required to cover these costs. The small number of applications for GI registration that are likely to be filed may mean that the fees may need to be high (perhaps up to \$10,000 per application).
30. One possible option is Crown funding, however, this is not considered to be a viable option. GIs, like other intellectual property rights, are private goods. Therefore, the case for taxpayer funding is weak. As section 3.2.3 of the Treasury's *Guidelines for Setting Public Charges in the Public Sector* states there is a strong case for recovering the costs of a private good from those who benefit from it. In this case, the beneficiaries are grape growers, wine producers and distillers of spirits.
31. Another problem is that it is not desirable for GIs to be registered for an indefinite term. If a GI falls into disuse, there is no value in the GI remaining on the Register. In fact, the continued registration of that GI may unnecessarily restrict the activities of some wine or spirit producers. Although the affected producers could apply to have the GI registration removed, there will be significant costs associated with this. An application for removal of a registration will need to be accompanied by appropriate evidence, and will likely need the assistance of a lawyer or patent attorney in its preparation.

Options and Impact Analysis

32. We considered the following options for sustainable funding of the Register:
 - a. A single upfront fee at the time of registration (status quo)
 - b. Contracting NZWine² and the New Zealand Distilled Spirits Association (**NZDSA**) to pay an annual maintenance fee to IPONZ
 - c. Meet the costs through fees collected under other intellectual property laws
 - d. A periodic registration renewal system (*preferred option*)

² NZWine is an industry body representing New Zealand winegrowers and is funded by a compulsory levy on winegrowers.

- A. *A single upfront fee at the time of registration (status quo)*
33. This would involve charging a single upfront fee at the time of registration. This fee would have to cover the costs of the initial examination of the application and contribute to the ongoing maintenance of the Register. It is likely that the fee will need to be much larger than for the other options. There are some major downsides to this.
34. First, there is a significant risk that a large upfront fee will deter applications. If New Zealand GIs are not registered in New Zealand, this may make it difficult for New Zealand producers to use and register their GIs in other countries. Many countries will only register foreign GIs if they are also registered in their country of origin. This is the case for foreign GIs registered under the Act.
35. Second, it is not good financial practice to accumulate very large surpluses in the short run to fund a government service in the long run.
36. This option will not address the issue of GIs that have fallen into disuse remaining on the Register.
- B. *Contracting NZWine and NZDSA to pay an annual maintenance fee to IPONZ*
37. Under this option, NZWine and NZDSA would be required, under a contract, or possibly by regulation, to pay an annual fee to the Registrar to cover the costs of administering the Register. It is likely that most GIs registered under the Act will be for New Zealand wines. There is a precedent for such an agreement. The wine industry makes a contribution via NZWine to the cost of New Zealand standards provided by MPI.
38. This option would go some way towards meeting the Treasury *Guidelines* on cost recovery. It would mean, though, that NZWine and NZDSA would be contributing to the registration regime that benefits foreign wine and spirits producers. While NZWine represents domestic wine producers, it does not represent foreign wine producers. NZWine is funded by a compulsory levy on all New Zealand wine growers, not all of whom will use GIs.
39. This option will not address the issue of GIs that have fallen into disuse remaining on the Register.
- C. *Meet the costs through fees collected under other intellectual property laws*
40. Under this option, the costs of administering the GI registration regime would be met through fees collected under other intellectual property statutes, in particular those relating to patents, trade marks and designs. This would mean that patent, trade mark and design owners would pay some of the costs of operating and maintaining the Register. This option is also contrary to public charging principals because some of the fee collected from these owners would be used to fund a service they obtain no benefit from, either directly or indirectly.
41. The Auditor-General's *Charging Fees for Public Sector Good and Services* does not rule out cross-subsidies in certain circumstances. However, paragraph 2.14 states that any cross-subsidising must be clearly authorised and transparent and the reasons for doing so clearly documented. There is no case for requiring patent, trade marks and designs applicants to subsidise a GI register which does not provide them with any benefit.
42. This option will not address the issue of GIs that have fallen into disuse remaining on the Register.

D. A periodic registration renewal system (preferred option)

43. Under this option, GIs would be registered for a limited term specified in the Act, with a right of renewal on payment of a prescribed renewal fee. There would be no limit on the number of times a GI could be renewed. If the renewal fee is not paid, the GI registration would lapse. The renewal fees would then provide an ongoing source of revenue to fund the maintenance of the Register.
44. This approach is consistent with the principle that there is a strong case for recovering the costs of a private good from those who benefit from it. This will mean that initial application fees will be lower than would be the case for the status quo, as they will only have to contribute to the costs of the initial examination and the costs of maintaining the Register until the first renewal fee is due. This will assist in ensuring that the GI registration system is accessible to GI users. It is MBIE's preferred option.
45. If renewal fees are to be used to fund ongoing maintenance of the Register, the renewal fee will need to be set at a level that is significantly higher than the costs to the Registrar of processing an application to renew a registration. There would need to be explicit authority in the Act for this, along the lines similar to the Patents Act 2013 and the Trade Marks Act 2002.
46. A further advantage of a renewal fee system is that, if a registered GI falls into disuse, its users are likely to allow the registration to lapse through non-payment of the renewal fee. This will minimise the risk of unused GIs remaining on the Register.

Objective	Single upfront registration fee	Annual fee paid by NZWine and NZDSA	Cross subsidise from fees collected under other IP laws	Renewal Fees
GI regime is cost-effective, sustainable and accessible	Results in very high initial application fees which could deter wine producers from registering their GIs, and would not provide sustainable long-term funding for maintenance of the Register.	— Would result in high costs to NZ wine and spirit producer's growers as they would be subsidising foreign wine and spirits producers and foreign wine producers, but would provide sustainable long-term funding for the Register.	✓ Minimise costs to GI users, while providing sustainable long-term funding for the Register.	✓ Enables initial application fees to be kept low to facilitate applications, while ensuring a sustainable source of long-term funding for the Register.
Provides a sound trading and marketing environment that facilitates, rather than creates barriers to, the trade in wine and spirits	Result in very high registration fees which could deter wine producers from registering their GIs, which may make it difficult for NZ wine producers to protect their GIs in foreign markets, and leave unused GIs on the Register.	✗ Would leave unused GIs on the Register, which may unnecessarily restrict the activities of some wine and spirit producers.	✗ Would leave unused GIs on the Register. Patent, trade mark and design applicants would be subsidising GI applicants, even though they obtain no benefit from the GI regime. There is no justification for this.	✓ Minimises barriers to GI users to register their GIs, while minimising risk of unused GIs remaining on the Register.

Issue 1, Part 2: Limitation on the Term of a Geographical Indication

Term of a Registered GI – Problem Definition

47. If, as proposed above, GIs are to be registered for limited terms, with a right of renewal, what should the term of a GI be?

Options and Impact Analysis

48. We have considered three options:

- a. A five year term
- b. A ten year term
- c. A twenty year term

A: A five year term

49. If the term is five years, GIs that have fallen into disuse will remain on the Register for only short periods before lapsing as their users may be unwilling to pay the renewal fee. However, a five year term may lead to excessive costs for GI applicants compared to the other options. Applicants will incur costs in applying for renewal of a GI registration. There will also be costs incurred by the Registrar in processing the renewal, which will have to be covered from the renewal fee. There will also be costs to the Registrar in notifying interested parties that renewal of a GI is due.

B. A ten year term

50. A ten year term will increase the likelihood of registered GIs that have fallen into disuse remaining on the Register compared with a five year term. However, the costs imposed on GI users will be less than if the term were five years.
51. Ten years is also the term for registered trade marks. Most GI applicants are likely to be owners of registered trade marks. The imposition of a ten year term for registered GIs may simplify administration for GI applicants, making it easier for them to keep track of renewals and reducing the risk that renewal payments will be missed. A ten year term is MBIE's preferred option.
52. A ten year term may mean that the initial application fee is higher than for a five year term as the initial fee will have to contribute towards maintenance of the Register for ten years instead of five. However, we consider that the higher fee will be offset by the lower costs to both GI users and the Registrar due to the reduced frequency of renewals.

C. A twenty year term

53. If the term of a registered GI is twenty years, there is a risk that registered GIs that have fallen into disuse will remain on the Register for significant periods of time.
54. There is also a risk that this relatively long period between renewals may lead to significant numbers of registered GIs lapsing through inadvertent failure to pay the renewal fee. This may arise because the entities who originally applied to register the GIs may have ceased to exist, or changed name or address without informing the Registrar, and so may not receive notice from the Registrar that a renewal fee is due. There is also no provision in the Act that requires all the users of a GI to be listed on the Register, so it may be difficult for the Registrar to ensure that all users are aware of the impending renewal.
55. A twenty year term will likely mean a higher application fee than for five or ten year terms, as the application fee will have to contribute to maintenance of the Register for a much longer period.

56. If significant numbers of GI registrations lapse inadvertently, this could cause problems for GI users if the GIs are also registered in other countries. Many countries will register foreign GIs only for as long as they are registered in their country of origin, so lapsing of the New Zealand registration could lead to lapsing of the registrations in other countries. There may be considerable costs for GI users in regaining protection in other countries.

Objective	Five year term	Ten year term (preferred Option)	Twenty year term
GI regime is cost-effective, sustainable and accessible	<p style="text-align: center;">x</p> <p>May impose higher costs on GI users than the other options due to the costs of more frequent renewals.</p>	<p style="text-align: center;">✓</p> <p>Application fees may need to be higher as the initial application fee will need to contribute to maintenance of the Register for 10 years instead of five, but this will be offset by lower renewal costs due to the reduced frequency of renewals. Alignment of term with that of registered trademarks may simplify administration and reduce risk that renewal payments will be missed.</p>	<p style="text-align: center;">x</p> <p>Reduces the long term costs of renewing GIs, but may lead to inadvertent failure to pay the renewal fee because of the long interval between renewals.</p> <p>Application fee would be higher than for the other options, as the initial fee will have to contribute to maintenance of the Register for twenty years.</p>
Provides a sound trading and marketing environment that facilitates, rather than creates barriers to, the trade in wine and spirits	<p style="text-align: center;">✓</p> <p>Unused GIs are likely to lapse quickly, and will appear on the register for shorter periods of time than the other options.</p>	<p style="text-align: center;">—</p> <p>Reduces risk that unused GIs will remain on the Register for long periods of time.</p>	<p style="text-align: center;">x</p> <p>Significant risk that GI registrations will lapse inadvertently, leading to potential loss of protection for these GIs if they are registered in other countries. There is also a significant risk that unused GIs will remain on the Register for long periods of time.</p>

Issue 1, Part 3: Restoration of Lapsed GI Registrations

Status Quo and Problem Definition

57. If GI are registered for fixed periods and must be renewed if protection is to be maintained, it is possible that some GIs will lapse through inadvertent failure to pay the renewal fee before the term expires. This could be a particular problem given that, under the Act, a GI does not have a formal 'owner' who can take responsibility for maintaining the registration. Instead, responsibility for ensuring that a GI registration remains current lies with users of the GI. There is a risk that individual users assume that another user will pay the renewal fee, with the result that the fee may not be paid at all.
58. If the registration of a New Zealand registered GI lapses, and the GI is also registered in other countries, the registration in those other countries may lapse. Many countries will register foreign GIs only for as long as they are registered in their country of origin.

Options and Impact Analysis

59. We have considered the following options:
- a. No provision for restoration (status quo)
 - b. Allow restoration without conditions, on the application of any interested person
 - c. Allow restoration without conditions, on the application of any interested person but only within a prescribed time period from lapsing (preferred option)
 - d. Allow restoration only if the lapsing was unintentional
- A. *No provision for restoration*
60. Under this option, if a GI registration lapses because of non-payment of a renewal fee, the registration could not be restored. The only way that protection could be regained would be to file a fresh application for registration. This would be very costly, as the Registrar would have to treat the application as a new application and examine it from scratch. There is also a risk that it may not be possible to regain registration if the GI has been registered as a trade mark between the date of lapsing and the date the fresh application was filed.
61. This could be unfair to GI users given there may be significant risk of inadvertent lapsing due to the fact that no one person has responsibility for maintaining the registration, and there is no requirement in the Act for GI users to be listed on the Register. This will make it difficult for the Registrar to ensure that all users are informed of an impending renewal.
- B. *Allow restoration without conditions, on the application of any interested person*
62. This option would minimise the costs imposed on GI users. The costs of processing an application would be much less than the costs of filing a new application. However, there would be little incentive for users to pay the renewal fee on time. This could lead to significant numbers of GIs on the Register being marked as 'lapsed' but which could be restored at any time.
63. This would effectively mean that third parties could not use lapsed GIs in a non-GI sense, for example as trade marks, because of the possibility that they could be restored at any time. This would unreasonably restrict the ability of wine producers to use terms that should otherwise be free for them to use.

- C. *Allow restoration without conditions, but only within a prescribed time period from lapsing (preferred option)*
64. Under this option, a lapsed GI could be restored, but only within a prescribed time period from lapsing. The time period will be specified in the regulations, but is likely to be no more than 12 months. Failure to file an application for registration within this period would result in the GI becoming unrestorable and a fresh application would be required.
65. This option would minimise the costs imposed on users of registered GIs. There would be an obligation on the Registrar to publicly notify that a renewal fee is due to reduce the risk of a registered GI lapsing due to inadvertent failure to pay a renewal fee.
66. This option would also provide greater certainty to third parties, as they would know that if an application to restore a GI was not made within the prescribed time limit, the GI registration could not be restored. This is MBIE's preferred option.
- D. *Allow restoration only if the lapsing was unintentional*
67. Under this option, restoration would only be possible if an interested party applying for restoration could make a *prima facie* case that the lapsing was not intentional, for example, if lapsing was due to an error or omission on the part of the users of the GI, and that there was no undue delay in making the application for restoration. This would involve providing evidence, such as a statutory declaration, setting out the circumstances that led to the GI registration lapsing. Provision would need to be made for applications to restore a GI to be advertised and for interested third parties to oppose restoration.
68. A provision along these lines would encourage those with an interest in maintaining a GI registration to pay renewal fees on time. It would also avoid the risk that GI users, having made a positive decision to allow a GI to lapse, then attempt to restore it, for example, to restrict the activities of a third party who begins to use the lapsed GI in a non-GI sense.
69. However, this approach is costly and complex for GI users, while providing no compensating benefits for third parties. As GIs have no formal 'owner' who could take responsibility for renewing the registration it might be difficult to obtain the evidence that the failure to pay the renewal fee was unintentional. This could make it very difficult to restore a GI that has lapsed due to inadvertent failure to pay a renewal fee.

Objective	No provision for restoration	Allow restoration without conditions	Allow restoration without conditions, but only within a prescribed time from lapsing (preferred option)	Allow restoration only if the lapsing was unintentional
GI regime is cost-effective, sustainable and accessible	<p style="text-align: center;">x</p> <p>The need to file a new application imposes significant costs on GI users; possibility that registration will be refused if the lapsed GI has subsequently been registered as a trade mark.</p>	<p style="text-align: center;">✓</p> <p>Minimises costs to GI users.</p>	<p style="text-align: center;">✓</p> <p>Minimises costs to GI users.</p>	<p style="text-align: center;">x</p> <p>Will be costly and complex for GI users.</p>
Provides a sound trading and marketing environment that facilitates, rather than creates barriers to, the trade in wine and spirits	<p style="text-align: center;">✓</p> <p>Provides greater certainty to third parties.</p>	<p style="text-align: center;">x</p> <p>May unnecessarily restrict the activities of wine and spirit producers due to the potential presence on the Register of lapsed GIs that could be restored at any time; little incentive to pay renewal fees on time.</p>	<p style="text-align: center;">✓</p> <p>Provides greater certainty to third parties.</p>	<p style="text-align: center;">✓</p> <p>Provides greater certainty to third parties.</p>

Issue 2: Deemed Registration of ‘New Zealand’, ‘North Island’ and ‘South Island’ as GIs

Status Quo and Problem Definition

70. If the provisions for registering a GI in the Act are brought into force as enacted, GIs could not be entered on the Register until and unless applications for registration are made. That is, the Act makes no provision for ‘pre-registered’ GIs.
71. Currently, the term ‘New Zealand’, ‘North Island’ and ‘South Island’ are in use by New Zealand wine producers as GIs. If these terms are to be recognised as GIs in foreign markets, they will need to be registered in New Zealand. However, given the diversity of geologic and climatic conditions in New Zealand as a whole, or in the North Island, or in the South Island, it is possible that these terms might not meet the requirements for registration.
72. The definition of ‘geographical indication’ contained in s6 of the GI Act is:
*“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 as essentially attributable to its geographical origin.”*
73. If these terms are not registered in New Zealand, it could be difficult to register them in other countries. Many other countries, for example the EU, will not register a foreign GI unless it is protected in its country of origin. This may make it difficult to protect the integrity of New Zealand GIs in foreign markets, as it would permit foreign wine makers to use these terms to trade on the reputation of New Zealand wines.

Options and Impact Analysis

74. The following options have been considered:
- a. Require full applications to be made to register the terms ‘New Zealand’, ‘North Island’ and ‘South Island’ (status quo)
 - b. Change the definition of geographical indication
 - c. Deem that ‘New Zealand’, ‘North Island’ and ‘South Island’ to be New Zealand registered geographical indications (preferred option)
- A. *Require a full application to be made to register the terms ‘New Zealand, ‘North Island’ and ‘South Island’ (status quo)*
75. This option would impose significant costs on GI users, as they would have to pay the application fee. However, there is no guarantee that the Registrar would register these terms. Even if the Registrar did decide to register the terms, the registration could be challenged, perhaps successfully, by third parties.
76. If these terms cannot be registered in New Zealand, they will not be able to be protected in other countries. This substantially reduces the benefits from using these terms as GIs.
- B. *Change the definition of geographical indication*
77. This would involve changing the definition of ‘geographical indication’ such that terms such as ‘New Zealand’, ‘North Island’ and ‘South Island’ could be registered. This is not desirable, though, as it would mean departing from the internationally recognised definition of ‘geographical indication’ in the WTO TRIPS Agreement³.

³ World Trade Organization Trade-Related Aspects of Intellectual Property Rights Agreement

78. This would provide a broader standard of GI protection, including for foreign GIs, than minimum standards set out in the TRIPS Agreement. There is no evidence that providing such broader protection, other than special cases such as 'New Zealand', 'North Island' and 'South Island', would provide any benefits to New Zealand.
- C. *Deem that 'New Zealand', 'North Island' and 'South Island' to be New Zealand registered geographical indications (preferred option)*
79. This would involve amending the Act to deem the terms 'New Zealand', 'North Island' and 'South Island' to be New Zealand registered GIs. This is MBIE's preferred option. However, registration of these terms in New Zealand, while necessary in order to obtain registration of these terms in other countries, does not guarantee that other countries will accept them for registration. They will still need to meet other countries' criteria for registration.
80. If this course is followed, it will also be necessary to amend the Act to provide that the term 'New Zealand' by a wine producer would not constitute use of 'New Zealand' as a GI if the term is required by other laws or regulations to denote the country of origin of a wine and such use is in the course of trade and not in such a manner as to mislead the public. Section 26 of the Act makes similar provision in relation to use of wine or spirits producer's name and or address. The Wine Regulations 2006 require wine labels to carry a statement of the country of origin.
81. In the absence of this provision, a wine producer who (say) used 'New Zealand' to denote the country of origin of a wine is required by the Wine Regulations 2006 could be in breach of the Act if the wine did not meet the requirements set out in the Act for use of a New Zealand registered GI. The following example is intended to clarify the intent:

A New Zealand wine producer produces a wine that is a blend of 60% New Zealand wine and 40% Australian wine, the blending and bottling taking place in New Zealand. New Zealand is therefore the 'country of origin' of the wine.

If the term 'New Zealand' is a registered GI, the producer would not be entitled to use 'New Zealand' as a GI on the label because the wine does not meet the 85% rule.

However, Regulation 7(1) of the Wine Regulations 2006 requires the wine to be labelled in a manner that indicates the country of origin of the wine. In this case, the label would have to indicate that the country of origin is New Zealand (and also that the wine contains wine from Australia).

In this case, the use of the words 'New Zealand' on the label should not constitute use of the term 'New Zealand' as a GI, if use of the term is required to satisfy Regulation 7 of the Wine Regulation 2006.

Objective	Require full applications to register 'New Zealand', 'North Island', 'South Island' (status quo)	Change definition of GI	Pre-register 'New Zealand', 'North Island', 'South Island' as GIs (preferred option)
GI regime is cost-effective, sustainable and accessible	Would require the wine industry to bear the costs of registration of New Zealand', 'North Island', and 'South Island' as GIs.	— Would require the wine industry to bear the costs of registration of New Zealand', 'North Island', and 'South Island' as GIs.	✓ Would relieve the wine industry of the costs of registration of 'New Zealand', 'North Island', and 'South Island' as GIs if they chose to use them.
Provides a sound trading and marketing environment that facilitates, rather than creates barriers to, the trade in wine and spirits	May prevent the wine industry from registering New Zealand', 'North Island', and 'South Island' as GIs overseas if registration in New Zealand is refused.	✗ Would provide broader GI protection than the minimum required by the TRIPS Agreement with no additional benefit to New Zealand, which may unduly restrict the trade in wine and spirits in New Zealand.	✓ Provides the wine industry with the opportunity to register 'New Zealand', 'North Island', and 'South Island' as GIs overseas, without providing broader GI protection in New Zealand than is required by the TRIPS Agreement.

Issue 3: Refusal of Registration of ‘Offensive’ GIs

Status Quo and Problem Definition

82. There is no provision in the Act that would allow the Registrar to refuse to register a GI if use or registration of the GI would be offensive. There is also no provision that allows a third party to apply to oppose or cancel a registration on grounds of offensiveness. In the absence of a similar provision in the Act, it would be possible to register a term as a GI that would be refused registration as a trade mark for wines or spirits on the grounds of offensiveness. This is undesirable.

Options and Impact Analysis

83. Two options have been considered:
- a. No provision relating to ‘offensive’ GIs (status quo)
 - b. Adopt a provision along the lines of s17(1)(c) of the Trade Marks Act 2002 (preferred option)
- A. No provision relating to ‘offensive GIs’ (status quo)*
84. It is possible to register GIs as trade marks. However, under s17(1)(c) of the Trade Marks Act 2002 registration can be refused if use or registration of the trade mark would likely be offensive to a significant section of society, including Māori. This may be a particular issue with some Māori names, where use or registration of the name in association with alcoholic beverages may be offensive to Māori. An example of this may be the use of a place or other geographical name with an association with wahi tapu.
- B. Adopt a provision along the lines of s17(1)(c) of the Trade Marks Act 2002 (preferred option)*
85. This option involves adopting a provision along the lines of s17(1)(c) of the Trade Marks Act 2002. There will also need to be a provision that permits a third party to oppose or apply to cancel a registration on the ground of offensiveness.
86. Experience with the similar provision in the Trade Marks Act 2002 suggests that very few potential GIs are likely to be objectionable under such a provision. The adoption of this provision may impose costs on applicants proposing to register Māori terms in particular, for example they may need to consult with local iwi before submitting their application. Wine producers considering registering trade marks with Māori names may need to do this anyway, so this should not be an onerous provision.
87. Where a GI involves a Māori name, the Registrar may seek advice from the Māori Advisory Committee established under the Trade Marks Act 2002 before making a decision as to its registrability. Section 39 of the Act provides that the Registrar may obtain advice on, and may consult, in respect of matters connected with registration of GIs.
88. Adoption of this provision will also require s45 of the Act to be amended to allow for a registered GI to be cancelled on the grounds of offensiveness. This will ensure that the grounds for cancellation of a GI are aligned with the grounds for refusal of registration in s8 of the Act.

Objective	No Provision	Adopt a provision like s17(1)(c) of the Trade Marks Act 2002 (preferred option)
GI regime is cost-effective, sustainable and accessible	Minimises costs to GI users.	<p style="text-align: center;">—</p> <p>Potentially some additional costs for GI users, but such users may face these costs in any case if they are considering registering trade marks.</p>
Provides a sound trading and marketing environment that facilitates, rather than creates barriers to, the trade in wine and spirits	Would enable GIs to be registered that might be refused registration as trademarks on the grounds of offensiveness.	<p style="text-align: center;">✓</p> <p>Ensures that GIs that would be refused registration on the grounds of offensiveness cannot be registered.</p>

Issue 4: Amendments to Registered GIs

Status Quo and Problem Definition

89. Section 46 of the Act provides a procedure for a GI registration to be amended. As enacted, the indication itself, the conditions of use and related boundaries may be altered. It is not, however, in the public interest to allow complete freedom to amend the registration.
90. For example, if the term 'Martinborough' was registered as a GI, it would not be desirable to allow this to be amended to, say, 'South Wairarapa', which encompasses a much larger area, and is effectively a different GI. In this case, the term 'South Wairarapa' should be a subject of a separate application for registration, rather than an application to amend an existing registration.

Options and Impact Analysis

91. Three options have been considered:
- a. Allow any amendment to the indication itself (status quo)
 - b. Prohibit any amendment to the indication itself, except for the purpose of correcting obvious errors in the indication as originally registered
 - c. Allow amendment to the indication itself, but prohibit amendments that would substantially alter its character (preferred option)
- A. *Allow any amendment to the indication itself (status quo)*
92. Allowing any amendment to the indication itself could result in the indication being amended in a manner that may be misleading to consumers. This could affect the interests of wine and spirit producers and other third parties as the change to the name would take effect from the date that the original GI application was filled – i.e. the change would have retrospective effect.

An example might be if 'South Wairarapa' was registered as a GI, and this was amended to 'Martinborough', without changing the boundaries. In this case, wine labelled 'Martinborough' would actually originate from an area much larger than the area that consumers would usually associate with Martinborough. This would effectively allow wine producers who are not situated in or near Martinborough to take unfair advantage of Martinborough's reputation as a GI.

- B. *Prohibit any amendment to the indication itself, except for the purpose of correcting obvious errors in the indication as originally registered*
93. Prohibiting all amendments to the registered GI could be unfair on GI users. It would mean that relatively minor changes, for example to the spelling of the indication to reflect changes in usage or to reflect decisions of the New Zealand Geographic Board would not be possible. This could result in the indication no longer accurately reflecting the name of the region involved as it is actually used. Such an outcome could disadvantage GI users and potentially confuse consumers.
94. Prohibiting all amendments would mean that the only way a GI registration could be amended would be a fresh application. This would be much more costly than an application to amend an existing registration.

- C. *Allow amendment to the indication itself, but prohibit amendments that would substantially alter its character (preferred option)*
95. Allowing amendments to the indication itself, while prohibiting changes to the indication that would substantially alter its character strikes a reasonable balance between the interests of GI users and those of third parties and consumers. This would allow for minor amendments, but not more substantial ones. This would ensure that the indication can be amended to reflect the way in which the name of the region the GI relates to reflects actual usage. This is MBIE's preferred option.
96. There would be some additional costs to GI users, as they may have to prepare and submit evidence to the Registrar to enable the Registrar to determine whether or not the proposed amendment was permissible.

An example of an amendment that would not substantially alter the character of the indication might be a change from 'Wanganui' to 'Whanganui' to reflect the decision of the New Zealand Geographic Board in respect of this name. On the other hand, the amendment of 'Wanganui' to 'South Taranaki' would not be permitted as this would substantially alter the character of the indication. The decisions as to whether an amendment would be allowable or not would be made by the Registrar.

Objective	Allow any amendment to the indication itself (status quo)	Prohibit all amendments to the indication itself	Allow amendments to the indication itself that do not substantially alter its character (preferred option)
GI regime is cost-effective, sustainable and accessible	Minimises the costs involved in amending entries on the Register, as there would be no need to justify the amendment.	✘ This option would mean that any change to an indication (other than correction of an error) would require a new application to be filed. This would be much more costly than an application to amend.	✘ Some additional costs to GI users, as the Registrar will need to consider whether the proposed amendment is permissible – this will likely require GI users to submit evidence to the Registrar.
Provides a sound trading and marketing environment that facilitates, rather than creates barriers to, the trade in wine and spirits	May allow the indication to be amended in a manner that may mislead or confuse consumers.	✘ If indications themselves could not be amended, this could mean that the indications no longer reflect how the name of region concerned is actually used, which could disadvantage users and potentially confuse or mislead consumers.	✔ Ensures that the indications on the Register accurately reflect the way in which the name of the region the GI relates to is actually used, so as to minimise the risk that consumers will be misled or confused by any change.

Issue 5: Award of Costs in Proceedings under the GI Act

Status Quo and Problem Definition

97. There is no provision in the Act to allow the Registrar to make an award of costs to a prevailing party in any proceedings before the Registrar. In the absence of this power, there is a risk that some parties may initiate proceedings that have little chance of success, or may pursue proceedings that might be better dealt with through negotiations between the parties. This may impose unnecessary costs on parties and on the Registrar.

Options and Impact Analysis

98. Two options have been considered:

- a. No provision for the award of costs (status quo)
- b. Provide for the award of costs (preferred option)

99. This option may encourage frivolous or vexatious proceedings involving GIs, and may discourage parties' from seeking a negotiated settlement, adding costs for both GI users and the Registrar. Other statutes dealing with registered intellectual property rights, such as the Patents Act 2013 and the Trade Marks Act 2002, make provision for the award of costs, and for the provision of security for costs⁴.

100. Adopting this option would provide the Registrar with the power to award costs and seek security for costs, as appropriate. If a Registrar is to have the power to award costs, there will also be a need for the Registrar to be able to require parties to proceedings who are not resident in New Zealand to provide security for costs. The ability to award costs and seek security for costs has the potential to:

- discourage parties from initiating proceedings which are frivolous and vexatious or which would otherwise have little chance of success; and
- encourage parties to negotiate a settlement without recourse to proceedings before the Registrar, and avoid the costs and time associated with such proceedings.

101. Providing the Registrar with the ability to award costs, and security for costs, will assist in minimising the costs of proceedings before the Registrar, and promote a timely resolution of disputes and help ensure that the GI regime is accessible and cost effective.

Objective	No Provision (status quo)	Provide for the award of costs (preferred option)
GI regime is cost-effective, sustainable and accessible	May add to costs for both the Registrar and GI users.	✓ Reduce costs to the Registrar and GI users by reducing the likelihood of proceedings before the Registrar.
Provides a sound trading and marketing environment that facilitates, rather than creates barriers to, the trade in wine and spirits	May encourage parties to initiate proceedings which are frivolous and vexatious or which would otherwise have little chance of success.	✓ Encourages parties to proceedings to settle 'out of court'.

⁴ See, for example, sections 212 and 213 of the Patents Act 2013

Consultation

102. NZWine and NZDSA were consulted on these proposed amendments. It was not possible to carry out wider consultation, due to the deadline of 31 March 2015 imposed by Cabinet for reporting back on the proposed amendments.
103. NZWine agreed with most of the proposed amendments. They did have reservations regarding the proposal to allow the registration of GIs to be refused if their use or registration would likely be offensive to a significant section of the community, including Māori.
104. One of NZWine's concerns was over the scope of the term 'community' – they were worried that this might include other countries. In response, MBIE noted that, in the corresponding provision in the Trade Marks Act 2002, 'the community' was interpreted as the New Zealand community. There is no reason why the Registrar would take a different approach.
105. Another concern raised, was that refusing registration of GIs on the grounds of offensiveness might create a 'precedent' that other countries might use to refuse registration of New Zealand GIs. However, we consider that if use or registration of a New Zealand GI would be offensive in another country, its registration in that country would likely be refused regardless of New Zealand's approach. In any case, if a New Zealand GI would be offensive in another country, it would probably not be useful as a GI, as consumers may shun any product carrying it.
106. NZDSA has indicated it agrees with NZWine's comments.
107. In addition, MFAT and MPI have been consulted on the proposals. Both MFAT and MPI supported the amendments proposed in this RIS. They also proposed that a further amendment should be included, but have agreed that this further amendment be progressed in a separate policy process to allow time for a robust analysis of the proposal.

Conclusions and Recommendations

108. MBIE's preferred options are to amend the GI Act to provide that:
 - a. GIs are registered for a fixed term, with a right of renewal on payment of a renewal fee, with no limit on the number of renewals, the level of the renewal fee being set to recover the ongoing costs of maintaining the Register
 - b. The term of the registered GIs is ten years
 - c. Where a GI registration has lapsed due to failure to pay a renewal fee, registration may be restored, if an application for restoration is made within a prescribed time period
 - d. Deem the terms 'New Zealand', 'North Island' and 'South Island' to be New Zealand registered GIs
 - e. Provide that, once registered, amendments to a GI would only be permitted if the amendments did not substantially alter the character of the indication, while allowing amendments to the associated boundaries and conditions of use
 - f. Provide the Registrar with the ability to make awards of costs, and seek security for costs, where appropriate
109. These recommendations will ensure that the GI Act operates in a manner that minimises costs to GI users and third parties while ensuring the GI regime does not impose undue restrictions on trace in wine and spirits. Aligning provisions, where possible, with similar provisions in other statutes relating to registered intellectual property rights, will assist in providing greater certainty as to how these provisions will operate in practice.

Implementation Plan

110. *[Withheld under s9(2)(g)(i) of the Official Information Act 1982]*

111. Before the amended Act can be brought into force regulations setting out the procedures for registering GIs under the Act need to be promulgated. Officials estimate that development of these regulations is likely to take around six to nine months to complete. Work on developing the regulations will begin prior to passage of the Bill. This will include work on determining the likely costs of implementing the amended Act, this work to begin in the near future.

112. It is intended that IPONZ, which is a business unit of MBIE, will be responsible for implementing the Act. IPONZ would need to develop and implement the Register, including upgrading its electronic case management system, train staff, upgrade its website, develop guidelines and undertake publicity about implementation of the Act.

Monitoring, Evaluation and Review

113. The operation of the Act will be monitored as part of IPONZ's normal reporting processes. In addition, MBIE will seek view of NZWine and NZDSA regarding the operation of the Act from the point of view of GI users.